

ORDER OF WBSEB FOR THE YEAR 2000-2001 & 2001-2002

ORDER

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

**Case No. T.P. - 2 of 2000-01
and
Case No. T.P. - 2 of 2001-02**

IN RE THE TARIFF PETITION OF WEST BENGAL STATE ELECTRICITY BOARD FOR THE YEARS 2000-01 AND 2001-02 UNDER SECTION 22(1) OF THE ERC ACT, 1998.

Present: Justice (Retd.) S. K. Phaujdar, Chairperson.
Shri A. K. Jain, Member (Finance & Accounts).

For the petitioners:

Dr. G. D. Gautama, Chairman, W.B.S.E.B.
Shri N. C. Roy, Chief Engineer (Commercial), WBSEB.
Dr. S.C. Bhattacharya, W.B.S.E.B.
Shri K.P. Sinha, W.B.S.E.B.

For the objectors who had prayed for and were allowed hearing:

Shri R.K. Srivastava, DEE, S.E. Rly.
Shri D.P. Banerjee, G.P. India Ltd.
Shri R.K. Khanna, Century Enterprises Ltd., Kharagpur.
Shri Sanjit Biswas, All Bengal Electricity Consumers' Association.
Shri L.K. Chatterjee, Advocate, Federation of Consumers' Associations.
Shri Subhash Banerjee, A B E C Assn.
Shri N. N. Chakrabarty, A B E C Assn.
Shri A.N. Choudhury, Indian Rayon.
Shri S.Nandi, Basabi Industries.
Shri K.P. Roy, Basabi Industries.
Shri Samir Choudhury, Advocate, for Basabi Industries.
Shri Prasanta Roy, as a consumer.
Shri Barun Das, Exide India Ltd.
Shri Utpal Bhattacharya, C.E.S.C.
Shri M.M. Gupta, Eastern Railway.
Shri T.K. Mitra, Bharat Chamber of Commerce.
Shri B.K. Roy, Indian Foils.
Shri S.L. Jalan, Hindustan National Glass Industries.
Shri Tito Deb, Hindustan Motors.
Shri A.K. Dalmiya, Birla Carbide and Gases.
Shri M.K. Sarkar, A B E C Assn.
Shri (Prof.) P.N. Saha, Bharat Chamber of Commerce.

Objectors who had filed written objections for 2000 - 01.

M/s. Himalaya Ice Company, Tamluk, Midnapur.
Hindustan Motors Ltd., Hindmotor, Hooghly.
Exide Industries Ltd., 39E, Chowringhee Road, Kol - 20.
Gontermann Peipers (India) Ltd., Diamond Harbour Road, 24 Parganas(S).
Adhunik Steel Ltd., 14, Netaji Subhas Road, Kol - 1.
Eastern Railway, Fairlie Place, 17, N.S. Road, Kol - 1.

South Eastern Railway, Office of the Chief Electrical Engineer, Garden Reach, Kol - 43.
 The Indian Ferro Alloy Producers Association.
 CESC Ltd., CESC House, Kolkata - 1.
 Indian Foils Ltd., 1, Sagore Dutta Ghat Road, Kol - 58.
 Sri Vasavi Industries Ltd., 1/433 Gariahat Rd., Block-4A, Jodhpur Park, Kolkata - 68.
 Eastern Spinning Mills & Industries Ltd., Pargacha, Barasat, 24 Paraganas (N).
 Bharat Chamber of Commerce, 9, Park Mansions, Kol - 16.
 Birla Corporation Ltd., P.O. Birlapur - 743318.
 Shri Dipen Ghosh, Nadia.
 Shri Ashwini Kumar Deb, Raigunj, North Dinajpur.
 Shri Ashim Kumar Ghosh, Alaipur, Nadia.
 Shri Dilip Ghosh, Dighagori (with four others).
 Shri Amit Sarkar, Raigunj, North Dinajpur.
 Shri Mansur Ali Mandal, Madanpur, Nadia (with 44 others).
 Shri Tapan Kumar Paul, Balurghat Motor Owners Assn., Balurghat, Dinajpur (with 107 others).
 Shri Chandra Sekhar Banerjee, Durgapur Lok Sabha Trinamool Chhatra Parishad, Durgapur - 1.
 Shri Lalit Ray, Khalsi, North Dinajpur (with 31 others).
 Central Committee of Purbachal Housing Complex, Bidhannagar, Kolkata.
 Kolaghat Station and Sarat Setu Bazar Committee, Kolaghat, Midnapur.
 Shri Sunit Kumar Nandi, Secretary, Bankura Babsayee Samity, (with 18 others).
 Guskara Nagarik Suriksha Samity, Burdwan.
 Shri Sandip Kumar Sarkar, Raigunj (with 7 others).
 Dr. Sailendranath Biswas, K.N. Mukherjee Rd., Talpukur, North 24 Parganas (with 70 others).
 Shri Swagatam Bhattacharya, Sonarpur - 69.
 Shri Chandra Nath Banerjee, East Lake Rd., Purulia.
 Shri Ranjit Sen, Executive Director, Guardian Plasticote Ltd., Kol- 71.
 Singur Haripal Rural Electric Cooperative Society Ltd., Hooghly -99.
 Shri Ashok Taru Pradhan, Rajabazar, Midnapore.
 Shri Anup Majumder, 43, Govt. Scheme, 24 Parganas (N).
 All India Manufacturers Organisation, ILACO House, Ground Flr., 1&3, Brabourne Rd., Kolkata - 1.
 Cottage & Small Scale Industries Association, 24, Netaji Subhas Rd, Rajpur, (with 15 others).
 All Bengal Electricity Consumers' Assn., 27 A, Dhiren Dhar Sarani, Kolkata - 12 (with 359 others).
 All Bengal Electricity Consumers' Association (with 186 others).
 All Bengal Electricity Consumers' Association (with 181 others).
 All Bengal Electricity Consumers' Association (with 581 others).
 Secretary, Jugdia Sporting Club, Magrahat, 24 Parganas (S) (with 137 others).
 Shri Sukhdev Khara, Soubhratra Sangha, Kolaghat.
 Bishnupur Chamber of Commerce & Industries, Bishnupur, Bankura-22.
 Sara Bangla Bidyut Grahast Samity, 27A, Dhiren Dhar Sarani, Kol - 12 (with 215 others).
 Jayashree Insulators, Paras Nagar, Rishra, Hooghly.
 Haji Mogra Patrawala, 20, Dr. E. Moles Rd., Mumbai - 11.
 Shri D. Chattopadhyay, Monoharpur, Dankuni, Hooghly.
 All Bengal Legal Husking Mill Owners' Assn., 14, Panchi Dhobani Lane, Kolkata - 7.
 All Bengal Electricity Consumers' Association.

Objectors who filed written objections for 2001 - 02.

Sri Vasavi Industries Ltd., 1/433 Gariahat Road, Block - 4A, Jodhpur Park, Kolkata - 68, Tele - 472-3324/3326.
 Ganga Electro Cast Ltd., 74, Bentick Street, Kolkata - 1, Tele - 237-0271/0278.
 Sri Guru Pada Dhara, Abasbasti, Tamluk, Midnapore.
 Shri Sunil Maity, Ramnarayanpur, Tarakeshwar, Dist-Hooghly.
 Shri Sudharshan Jana, Balluk, PO- Balluk, Dist- Midnapore.
 Singur Haripal Rural Electric Cooperative Society Ltd., PO- Singur, Dist- Hooghly, Tele - 630-2780/2312.
 Eastern India Furnace Assn. 5/1, Clive Row, Room No. 42, Kolkata-1, Tele - 220-2270.
 Nissan Ferro Cast Ltd., 436, Marshall House, 33/1, N.S. Road, Kolkata - 1, Tele- 220-4913/5670.
 Subhas Chandra Ray, Shankar Arah, Tamluk, Dist. - Midnapore.
 Tamluk Poura Nagarik, Anil Patnaik, Tamluk, Midnapore.

Shri Shankar Malakar, Sahapur, Kolaghat, Midnapore.
 Tamluk Rajabazar Byabasyee Samity, Tamluk, Midnapore.
 Shri Binay Roy Chowdhury, Abasbari Char, Tamluk, Midnapore.
 Shri Jahar Lal Jana, Vill- Naita, PO- Champadanga, Dist-Hooghly.
 Gontermann Peipers (India) Ltd., PO- Pailan, Diamond Harbour Road, 24 Parganas(S), Pin- 743512, Tele- 453-2455/2456.
 Shri Sanjay Kajaria, Chairman, Indian Jute Mills Association, Royal Exchange, 6, Netaji Subhas Road, Kolkata - 1, Tele-220-9918/0742.
 Birla Corporation Ltd., Birlapur, 24 Parganas (S), Phone- 482-3269/2614.
 Shri Ajit Samanta, Vill- Barbaria, Kolaghat, Midnapore.
 Hind Lever Chemical Ltd., PO-Durgachak, Haldia, Midnapore, Tele-(03224) 52321/52111.
 Indian Rayon & Industries Ltd., Unit- Jaya Shree Textiles, Rishra, PO-Prabasnagar-49, Dist-Hooghly, Tele-9133-6721146/1347.
 Shri Subhasish Sinha, 33/1, Uma Charan Bose Lane, Shibpur, Howrah-2, (alongwith 40 petitioners).
 Federation of Consumers' Association (Ms Mala Banerjee), 39, Shakespeare Sarani, Kolkata - 17.
 Shri Purna Chandra Manna & Hari Pada Pramanik, Kolaghat, Midnapore (alongwith 36 petitioners).
 All Bengal Electricity Consumers' Association, 27A, Dhiren Dhar Sarani, Kolkata - 12.
 Shri Babul Chandra Pal, Vill.- Napti, Sitalitala, Sapuipara, Howrah.
 Shri Somen Mukherjee, Dist- Purulia (alongwith 91 petitioners).
 Shri Uttam Das/ Dayamaye Kundu, Dist- Purulia (alongwith 212 petitioners).
 Shri R.K. Sen Singha- Secretary, Math Thikari, South Barasat (alongwith 121 petitioners).
 Shri Manoj Mandal, Canning, 24 Pgs(S), (alongwith 131 petitioners).
 Titagarh Industries Ltd., 113, Park Street, Kolkata - 16.
 CESC Ltd., Kolkata.
 Hindustan Motors Ltd., PO-Hindmotors, Dist.- Hooghly.
 24 Parganas(N) Biduyt Chalito Aghabir Nalkup Samity, Chandpara Bazar, 24 Parganas, Tele- 03215-50-934.
 Engineering Export Promotion Council, 14/1B, Ezra Street, Kolkata-1, Tele- 91-33-235-0442/43/44.
 Hindustan National Glass & Industries Ltd., 2, Red Cross Place, Kolkata - 1, Tele- 248-2341.
 Eastern Railway, Fairlie Place, 17, N.S.Road, Kolkata - 1.
 Price Water House Coopers Ltd., B 3/1, Gillandar House, 8, N.S. Road, Kolkata - 1 on behalf of INFAR (India) Ltd.
 Socialist Unity Centre, 48, Lenin Sarani, Kol-13, Tele-244-1828/2234.
 Shri Vasavi Industries Ltd., 1/433, Gariahat Road, Jodhpur Park, Kolkata - 68, Tele- 472-3324/3326.
 All Bengal Electricity Consumers' Association, 24 Parganas (S), 27, Netaji Subhas Road, Rajpur, 24 Parganas(S), Tele-237-9908 (alongwith 212 petitioners).
 Sara Bangla Bidyut Grahak Samity, 21A, Dhiren Dhar Sarani, Kolkata- 12, (alongwith 92 petitioners).
 South Eastern Railway, Garden Reach, Kolkata - 43, Tele-439-6404
 Indian Jute Mill Association.

Dated The 7th December, 2001.

CHAPTER - 1 : THE COMMISSION

1.1 The West Bengal State Electricity Regulatory Commission has been formed under Section 17 of the Electricity Regulatory Commissions Act, 1998 (Act 14 of 1998) in the year 1999. Prior to the legislation of this Act, generation, transmission and supply of electricity in India and the matters connected therewith had been covered by the Indian Electricity Act, 1910, (in short, 1910 Act) and the Electricity (Supply) Act, 1948 (in short, 1948 Act). The Act of 14 of 1998 has introduced various provisions towards reforms in the power sector and the preamble of the Act declares that it is "an Act to provide for the establishment of a Central Electricity Regulatory Commission and State Electricity Regulatory Commission, rationalization of electricity tariff, transparent policies regarding subsidies, promotion of efficiency and environmentally benign policies and for matters connected therewith and incidental thereto."

1.2 Initial difficulties were faced by the Commission, but the same were overcome by and by and the State framed rules under the Act 14 of 1998; the Commission framed its own Regulations and thereafter the Commission became fully functional from the second half of the year 2000.

1.3 The Commission is now constituted by the Chairperson, Justice (Retd.) S.K. Phaujdar and Member (Finance & Accounts), Shri A.K. Jain. Member (Technical), Shri R R. Ganguly retired on 8.10.2001.

1.4 The Commission published its own Conduct of Business Regulations (CBR) and had also issued guidelines there under. As per the CBR and guidelines, the utilities within the jurisdiction of the Commission were called upon to submit their tariff revision petitions for the years 2000-01 and 2001-02, and in presence thereto, the West Bengal State Electricity Board (WBSEB) came up with two petitions for these two years which were admitted and registered as Petition No. T.P. - 2 of 00-01 and Petition No. T.P. - 2 of 01-02.

1.5 The filings of the tariff petitions were duly notified in the major newspapers published from Kolkata calling upon everybody interested in the matter to file objections against the proposed tariff for these two years and cut-off dates were indicated in the newspaper notification for receipt of written objections. Only those objections were taken up for consideration which were filed in time. Everybody had the opportunity to inspect the tariff petitions and take copies thereof.

1.6 The Commission had also under its relevant Regulations appointed the Administrative Staff College of India (ASCI) at Hyderabad as Consultants to analyse, scrutinize and verify the tariff petitions for 2000-01 and the objections thereto that were filed in time. The report of the ASCI was kept open for inspection and for copies. The parties were given opportunity to file objections against the report.

1.7 Hearing of the two tariff petitions for the two years in question was taken up together and the dates of hearing were also duly notified in major newspapers published from Kolkata and it was clearly indicated therein that all persons were free to join the hearing irrespective of their filing written objections. Both the tariff petitions and for avoiding unnecessary exercises on same or similar matters in dispute. For the WBSEB petitions, hearing commenced on 11.5.2001 and continued upto 17.5.2001.

CHAPTER - 2: CASES OF WBSEB AS PER THEIR TARIFF PETITIONS FOR THE YEARS 2000-01 AND 2001-02.

2.1 In their tariff petition for the year 2000-01, the WBSEB laid a claim for Rs.3294.00 lakhs towards revenue requirement as per the following table:

| | Figures in Rs. Crores. FY 01 . |
|--|-----------------------------------|
| Purchase of Power | 1851.69 |
| Generation charges | 379.56 |
| O & M | 97.61 |
| Employees Cost | 427.75 |
| Provision for doubtful debts | 9.34 |
| Administration and other expenses | 53.66 |
| Less: Capitalised expenses | 55.49 |
| Interest on State Government loans | 243.82 |
| Interest and finance charges on others | 233.92 |
| Lease rentals | 0.00 |
| Less: Interest Capitalised | 174.56 |
| Total of interest and finance charges | 303.18 |
| Depreciation & Related Debits | 185.26 |
| Surplus Required | 41.44 |
| TOTAL REVENUE REQUIRED | 3294.00 |

2.2 The last tariff revision for the WBSEB was made in the month of January, 1999, and since then, it was submitted, the costs had increased substantially.

2.3 In their tariff proposal for 2000-01, the WBSEB indicated the norms under which they had calculated their revenue requirement. It was stated that the WBSEB was a State Electricity Board under Section 5 of the Electricity (Supply) Act, 1948, and was in generation, transmission and distribution business of electricity.

2.4 It was pointed out that the WBSEB was entitled to earn a rate of return of 3% on the net fixed assets, less consumers' contribution at the beginning of the year after accounting for all expenses properly chargeable to revenue. WBSEB prayed to the Commission to take into account a surplus of Rs.41.44 crs. as surplus for the FY 01 as specified in Section 29(2) of the ERC Act, 1998.

2.5 It was also stated that the WBSEB had attempted to reduce cross-subsidy and rationalize the tariffs for the various classes of consumers.

2.6 The WBSEB claimed that it had revised its estimates of T&D loss as a result of a study to assess the losses and the T&D loss in 1999-2000 was estimated at 39.2%. It claimed to be aware of the need to measure the loss correctly and reducing the same. This exercise helped in reducing the overall loss by 1% in 2000-01 and by 2% for the year in the LV and MV levels where bulk losses occurred.

2.7 WBSEB stated that its proposal presumed a subsidy support from the Govt. of West Bengal to the tune of Rs. 350 crores in FY-01. Formal communications in this respect were awaited.

2.8 In its tariff proposal, the WBSEB introduced the concept of fixed and variable charges in respect of certain category of consumers and the concept being a new one, a nominal fixed charge was claimed which would be increased gradually.

2.9 It was indicated in the tariff proposal that all consumers of the Board were not metered, but efforts were on to meter all the consumers.

2.10 It was also indicated that the WBSEB had estimated its cost of power purchase on the existing tariff of WBPDC, DPL and DPSC and prayed for consideration of revised tariff of these utilities if done in the meantime, in assessing the rates for WBSEB.

2.11 For the year 2001-02, the tariff proposal indicated all the general statements for FY 01, that for this year the total revenue requirement was Rs. 3696.50 crores. with following break-up.

Figures in Rs. Crores

| | FY-02. |
|--|----------------|
| Purchase of Power | 412.57 |
| Generation charges | 108.06 |
| O & M | 465.35 |
| Employees Cost | 427.75 |
| Provision for doubtful debts | 9.34 |
| Administration and other expenses | 60.19 |
| Less: Capitalised expenses | 65.34 |
| Interest on State Government loans | 331.25 |
| Interest and finance charges on others | 240.15 |
| Lease rentals | 0.00 |
| Less: Interest Capitalised | 167.42 |
| Total of interest and finance charges | 403.98 |
| Depreciation & Related Debits | 204.22 |
| Surplus Required | 43.74 |
| TOTAL REVENUE REQUIRED | 3696.50 |

2.12 It was indicated that T & D loss in 1999-2000 was reassessed at 39.2% and in 2001-02 it was reduced overall by 2% and for LV and MV levels - by 4%. The Utility requested the

Commission to consider the loss reduction target keeping in mind the resource requirement for strengthening the loss assessment and reduction machinery.

2.13 For this year, the expected subsidy from the Govt. of West Bengal was Rs.431.25 crores and formal approval was awaited.

2.14 Prayer was made to allow the WBSEB to incur the impact of any income tax charge through fuel surcharge.

CHAPTER - 3: OBJECTIONS BY DIFFERENT PERSONS AND RESPONSE OF THE WBSEB THERETO FOR THE YEAR 2000 - 01.

3.1.1 Objections by Himalaya Ice Co.

It was stated by this objector that the year 2001 was almost over when objections were called for and any increase in tariff would put an extra burden on the consumers. It was stated that the industries using electricity had been selling their product priced on the old rate of power and if power rate is increased retrospectively, they will not be able to recoup the increased cost from the customers for the products already sold. It was also stated that any increase in power rate would ruin the industries in the hard competitive market. The objector claimed that for the Ice Industry, about 65% of the costs are incurred for power alone. It was indicated how the power rates were enhanced steeply year by year from 1986. Objections were raised on the question of levying fuel surcharge was never consistent and it had a negative impact on the pricing of the products of the small industries. Exception was taken on the sub-grouping in the same group of consumers. It was stated that some consumers were being charged at rates lower than the production cost of electricity. It was also urged that WBSEB did not stick to its offer of lower tariff during night time.

3.1.2 As against these objections, the WBSEB submitted that fuel surcharge was being collected on the basis of actual expenses on fuel as was permissible under section 51 of the Electricity (Supply) Act, 1948. On Time of Day (TOD) tariff, it was stated that off-peak rebate was introduced for HT industries only and not for LV and MV industries. The WBSEB explained why there was a need for repeated revisions and why petitions for two years were filed in quick succession. It also explained that slab-wise tariff was telescopic in nature and all the consumers were entitled to enjoy the benefit of lower slab for that level of consumption. The losses of revenue for lower tariff in one slab was being partly recovered from those in higher slab.

3.2.1 Objections by Shri Tarun Kumar Mukherjee on behalf of Central Committee of Purbachal Housing Estate.

This objector was of the view that there was no necessity for any increase in tariff. The tariff for WBSEB was much higher than that prevailing in other states. Even the present rate was forbidding for the common man, small industries and marginal farmers. The consumers were not to blame for the loss suffered by the WBSEB. The T&D loss exceeded 10% according to the objector. The loss due to pilferage, corruption, hooking and tapping cannot be burdened on the consumers. It was stated that the WBSEB was to realise crores of rupees from CESC, Central and State Governments, big industries and Municipalities as also from a large number of other consumers. If these sums were realised, the WBSEB, according to this objector, would never be at a loss. Proposed fixed charge was objected to on the ground that it was not permitted under the law. Increase in the meter rent was also opposed on the ground that the WBSEB had already realised more than the price of the meters by way of meter rent. It was stated that electricity was not a commodity comparable with others. WBSEB was also not a profit-making concern. Electricity was an essential service. The proposed increase in agriculture and other sectors was stated to be opposite to public policy.

3.2.2 As against the above, the WBSEB explained the reasons for claiming a high T&D loss and stated that for some other States this loss was far greater. WBSEB claimed that they were trying to recover the dues and repay their creditors. It was stated that the meter rent charged was only

nominal and it was not correct to say that more than the purchase price had already been realised. Legal provisions were quoted to justify the levy of fixed charges. Minimum charge was being levied to recover the fixed costs. This was to ensure that the Board earned at least a minimum revenue. Levy of fixed charge and energy charge was a two-part tariff system and was an established tariff mechanism. WBSEB explained, with reference to the ERC Act, as to why agricultural tariff was being raised.

3.3.1 Objections by M/s. Hindustan Motors.

The objectors opposed the introduction of minimum demand charges @ 85% of the contract demand or the actual demand, whichever is higher. It was stated that this would burden the objectors by additional sum of Rs. 22 lakhs per month. It was further stated that even if WBSEB went for full production, the maximum contract demand could not increase more than 16000 KVA due to adoption of energy conservation measures. The maximum contract demand should be refixed at 20000 KVA instead of 30000 KVA. It was suggested that the minimum demand charges should be at 10000 KVA as per Schedule II H rates. The objector wanted withdrawal of low power factor payment. They claimed that they will be maintaining the average power factor of 0.99. They demanded rebate for better performance by high power factor. They also objected on the projected T&D loss. In the financial year 1998-99, it was only 26%; but in the next year, it was shown as 39.2%. They also objected against discrimination between the consumers of the same category. They demanded extension of the grace period for payment at par with CESC. They also demanded a rebate for timely payment. Objections were raised against the proposed withdrawal of all concessions offered to new industries/expanding industries. The objectors demanded rebate for under/over frequency of supply and also a penalty for low voltage supply. They also demanded circuit breakers for Rishra-Hind Motors line for facilitating fault repair. They also claimed protective devices like lightning arrestors.

3.3.2 As against these objections and demands, the WBSEB stated that T&D loss of more than 30% was allowed by different State ERCs. They also proposed to justify their claim for the contract demand reduction and quoted the state of affairs in other States. On quality of supply, the WBSEB stated that they were making every effort to reduce the occurrences of trippings and to restore supply within the shortest possible time. On rebates, it was stated that rebate for timely payment was being given, and for late payment, a surcharge was also being levied. On power factor rebate, it was stated that in a two-part tariff system where a monthly demand charge is realised from the consumers on the basis of maximum demand in KVA, no separate rebate for higher load factor is called for as the consumers liability to pay demand charge against per unit consumed gradually reduces with increase in power factor. Offering incentive for new/expanding industries was not within the realm of the Board as it was totally a matter of policy for determination by the State Govt. On the question of discrimination on grace period for late payment, it was stated that the CESC and the Singur-Haripal Rural Electric Co-operative Society were distribution licencees and not consumers by themselves in the true sense of the term. In this light, they were given the grace period and there was no discrimination.

3.4.1 Objections were also raised by Singur - Haripal R E Co-operative Society on the proposed changes in rate for certain category of consumers. They also objected to the realisation of fuel surcharge irrespective of consumer categorisation. They demanded that the Society be charged fuel surcharge at a rate of 55% of the prevalent charge.

3.4.2 As against this objection, the WBSEB explained that the above Society was a distribution licencee and it had to recover from its consumers the FSC charged by the Board. Under the order of the Govt. of West Bengal, the Board was recovering only 85% of the FSC from this Society and this rate was subsequently brought down to 66.67%. The society is now claiming a further cut to 55%.

3.5.1 Shri Asok Taru Pradhan raised objections in writing and stated that a huge amount was due to the WBSEB from different sources and if the arrears were realised, the WBSEB would be in no need to increase the tariff for the next two years. He objected to the proposed rise in tariff in agriculture sector, and also opposed the move to minimum cross subsidy. Objections were raised for charging meter rent from the consumers and also on fixed charges. He demanded that WBSEB

should pay interest on security deposit. He stressed for strict measures for stopping power theft and for improvement of the transmission and distribution system.

3.5.2 On these points, the WBSEB came up with a reply that it did not have 100% metering of all its consumers. Under Lok Deep and MCB category, it had 2 lakhs of consumers, and more than a lakh unmetered consumers in the agricultural sector, and further, more than 20000 in public lighting/public connections. These were the reasons for heavy system loss. It was stated that T&D loss was not high compared to the situations in other SEBs. It was further stated that FSC was proposed to be levied from LV and MV consumers also in an attempt to reduce cross subsidy. On meters, it was stated that the meters supplied by the WBSEB were not sub-standard. The WBSEB was trying to recover all its dues without favour to any consumer. The meter rent was only nominal. Fixed charge was proposed to be levied in terms of legal provisions. Comparative figures of demand charge in other States were given in this reply.

3.6.1 Objections were filed by Kolaghat Station and Sarat Setu Bazar Committee who stated that there was no necessity of increasing the tariff. Loss, if any, of the WBSEB, was due to inefficiency as they failed to realise the dues and allowed power theft to cause heavy system loss. They objected against proposed rise in meter rent. They stated that WBSEB was not a profit-making concern and it must not act against the interest of general public.

3.6.2 These objections were met by the WBSEB with a reply that T&D loss was not at a level higher than that in other States. The reasons for T&D loss as given against other objections, were repeated here also. Similar stand was taken on meter rent and fixed charge and on the attempts of the WBSEB to realize the dues. The stand expressed in the earlier paragraphs on agricultural tariff, was also indicated in the present reply.

3.7.1 The Guskara Nagarik Suraksha Samity also raised similar objections regarding loss due to unrealised dues and heavy system loss. It was stated that Lok Deep Yojana was also a reason of loss as a nominal charge of Rs.5/- was also not being realised. Objections were raised on the quality of meters, corruption in this respect and also on the charging of meter rent.

3.7.2 The WBSEB indicated in reply, what steps were being taken to stop hooking. It was stated that for Kutir Jyoti and Lok Deep Schemes also, there was a proposal for enhancement of tariff. It was stated that strict action was being taken against corrupt employees. For meter rent, it was the submission of the WBSEB that it was being realised on the basis of monthly fixed charge incurred by the Board against a meter which comprised of elements of interest, depreciation and operation and maintenance.

3.8.1 South Eastern Railway placed on record their objections and stated that they availed traction power supply from WBSEB at 132 KV (extra high voltage supply) at three traction substations and at 25 KV (high voltage bulk supply) at five traction substations in the territory of West Bengal. They were paying a very large amount to the WBSEB towards supply of electricity. In the year 1999-2000, the sum was more than Rs. 70 crores. They made payments in proper time. The Govt. of India desired that supply to Railways be made at a reasonable price for their energy efficiency and eco-friendly operations in running electric trains. It was stated that the WBSEB proposed an upward revision in the traction demand charge by 27.77% for 25 KV supply and by 22.72% for 132 KV supply. The proposed increase was stated to be discriminatory compared to the 33 KV public utility services and the figures were also quoted. It was stated further that in this proposal, the interest of consumers have not been safeguarded and the proposal was unreasonable. The WBSEB was purchasing power from NTPC at a much cheaper rate - even below the cost of supply of power to the Railways - and figures were given in support of this submission. The WBSEB was acting against its own declared principles of reducing cross-subsidy and of rationalisation of tariff for various classes of consumers. The proposed surcharges for power factor fall was also not acceptable to these objectors. High projection of T&D loss was also challenged. Objections were taken for equating the railways load factor with factory type load factor. Reduction for rebate for timely payment was also described as unreasonable. Levy of standing charge for the capital cost of step-down sub-stations was also challenged. According to them, the WBSEB proposed an integration period of only 15 minutes duration for recording the maximum demand, whereas other utilities in the country stipulated a 30 minute integration period. According to the objectors the WBSEB was recording and charging maximum demand for individual supply and this approach was unrealistic. As the Rly. Is moving load, it registers its demand at all the substations from which it

passes. The objectors desired that simultaneous maximum demand be recorded in contiguous substations of the WBSEB. The objectors relied on a direction of the CEA in this regard. They demanded a provision for compensation for losses incurred for supply failure or low voltage supply.

3.8.2 In reply to these objections, the WBSEB put the same plea as for others on the question of T&D loss. On quality of supply, it was stated that WBSEB was making every effort to maintain voltage and frequency in the system within the acceptable limits. On load factor rebate, it was stated that it was offered as an incentive to the consumers to maintain a high load factor. It was further stated that no load factor rebate was to be given in a two-part tariff. Putting up figures for different SEBs for supply to Railways, it was stated that the tariff of WBSEB was lower than that of others. It was admitted that the tariff for the S.E. Rly. was higher than the cost of supply and the WBSEB submitted that gradually it would move to a tariff that reflects cost of supply. The proposed rise in the tariff for the railway was due to subsidising certain other sectors and the WBSEB was under revenue shortage to adhere to the theory of cross-subsidy. It was stated that the power factor penalty was levied from all LV and HV consumers and there was no discrimination. It was submitted that NTPC power was not being purchased solely for the Rlys. The rate of NTPC as quoted by S.E.Rly., was also not true. The Railways being a big revenue earner, were not to be equated with a charitable body and as such they could not claim a public utility tariff. Penal charge for over-drawal during peak hours was attempted to be justified. On the question of recording simultaneous maximum demand, the S.E.B. stated that there was no scope of measuring simultaneous maximum demand of the Rlys. taking power at different points for traction purposes. Each point had a separate entity and the bulk power supply agreement was executed against respective points. On the question of extending the integration period for recording the maximum demand, it was stated that any occurrence of demand above the contract demand caused a strain on the system and traction being highly fluctuating in nature, integration period of 15 minutes duration was just and proper. Justifications were given for levying monthly standing charges. Measures that had been taken to overcome the difficulties due to power failure were also indicated in this reply.

3.9.1 Objections were put forth on behalf of All Bengal Electricity Consumers' Association, South 24 Parganas, by the Baruipur Babasayee Samity and certain others, by Cottage & Small Scale Industries Association, by Balurghat Motor Owners' Association and also by hundreds of individuals.

We refrain from naming all these persons with a view to save space and time. All these objections were almost a replica of each other. One such objections was filed by Jugdia Sporting club also. In these objections it was stated that there was no necessity of tariff revision and losses, if any, to the WBSEB, was not due to any fault of the consumers. The high degree of T&D loss was also challenged. Increase in meter rent was opposed and it was submitted that electricity was a utility service and WBSEB must not view it from a profit point of view. The other points raised are covered by earlier mentioned objections and/or subsequently.

3.9.2 Although several replies were filed by the WBSEB, the gist of all these replies was the same. The WBSEB explained the reasons for T&D loss to the degree as projected by it and indicated the steps taken towards recovery of arrear dues. It justified charging meter rent and fixed charge and also supported concessional tariff to certain sectors and justified cross-subsidy.

3.10.1 Certain objections were on record from Shri Chandra Sekhar Banerjee for Durgapur Lok Sabha Trinamool Chatra Parisad, Dr. Sailendra Nath Biswas and seventy other signatories, Shri Swagata Bhattacharyea, Shri Chandan Banerjee, Shri Ranjit Sen for Garden Plasticote Limited, Dr. S.K. Banerjee for All India Manufacturers' Association, Adhunik Steel Limited and Shri B. Chatterjee. The points raised therein were either covered by the earlier mentioned objections or were mere expression of disapproval of the proposed revision.

3.10.2 Although the WBSEB did not come up with specific replies to these objections, their statements against other objections covered all these points.

3.11.1 Specific objections were raised by Indian Ferro Alloys Producers' Association who stated that tariff was already very high due to cross subsidies. Any further increase would compel the Ferro Alloy Industries to close down and thousands of employees would lose jobs. With the

liberalised policy, the Ferro Alloy Industry was facing hard competition from imported products, and with the increase in power charge, the industries would simply lose an uneven battle. They desired that for the Ferro Alloy Industries, a separate tariff structure be made.

3.11.2 The WBSEB came up with a reply stating that Ferro Alloy Industries were power intensive once operating at high load factor and they could easily avail of load factor rebate proposed for these category. It was stated that the incentives offered to the industries are in line with or similar to any other State. It was indicated that the WBSEB had offered various incentives to the ferro-alloy industries, viz. removal of annual minimum guaranteed revenue (AMGR). For HV and EHV consumers with a load factor of 60% and upto 70% a rebate of 30% on the incremental consumption over 60% has been proposed. The rebate is to be increased to 40% for incremental load factor about 80%. Incentives were there for high power factor rebate and by TOD tariff. Giving a comparative chart for other States, vis-à-vis, West Bengal, it was stated that the tariff for industries had to be determined based on the average cost of supply and industrial tariff would move gradually towards the cost of supply. The Board discarded the suggestion that a separate category of consumer should be created for the ferro-alloy industries for giving any concession in tariff.

3.12.1 The All Bengal Electricity Consumers' Association further pointed out that electricity was not just an ordinary commodity available in the market and it was one of the essential public utility services and the Board could not be an entity solely for making profit in the business of electricity. On the statement that the Board did not get any revision after January, 1999, it was stated that fuel surcharge was imposed even after that date. The loss, if any, to the WBSEB, according to these objectors, was due to the inefficiency of the Board. The objectors further stated that charging of meter rent was unjust. Objections were raised on the levying of other rents and charges also. They insisted on allowing the consumers to purchase their own meters. They opposed the move to withdraw the rebate given to the educational institutions. They also opposed the proposed introduction of fixed charge and stated that a Writ Petition vide WB 14808 of 1999 was pending at their instances before the High Court on this very point. It was stated that the matter being subjudice, the Commission should stay its hands from recording any order of fixed charge. On T&D loss, it was stated that this was caused mainly due to un-metered supply and was thus avoidable at the instance of WBSEB. They placed figures of T&D loss of other electricity utilities to say that the claim of T&D loss was unusually high. It was stated that the loss was due to corruption, hooking and tapping and the WBSEB failed to take proper measures to stop corruption, hooking and tapping. It was asserted that rise of price for electricity was not a remedy to overcome loss. There was a rise by 30% in 1999, but the loss graph continues to rise. The change of conditions of supply as proposed by WBSEB was also described as a trick to burden the consumers. They insisted on monthly billing instead of the prevalent practice of billing after three months. On fuel surcharge, it was stated that the same is to be merged with tariff at the beginning of the year. Transit loss for transportation of coal was described as unreasonable.

3.12.2 On the above objections, the WBSEB explained why there was transmission and distribution loss and a break-up was given for technical and non-technical loss. On fuel surcharge, it was stated that it is levyable as per law at an interval of six months. On calculation of fuel cost, it was stated that the recommendations of the Heat Rate Committee were not final for the Commission which was free to form its own opinion and accordingly, WBSEB submitted their proposal taking into account the actual cost. On 100% metering, it was stated that the same could not be achieved due to resource crunches and also due to lack of availability of meters in time. The meters used by the Board were not sub-standard and if a meter went wrong, the Board use to send bills on average basis. On cross-subsidy, it was stated that it may not be removed overnight and a gradual approach was to be made towards average cost of supply. The WBSEB stated that they are making all-out efforts to realise any billed dues. On rebate to educational institutions, it was stated that the ERC Act did not favour any such special concession to any particular class of consumers unless the State forms a policy to that effect. The meter rent was being charged as a fixed charge. Non-functioning meters were being replaced by and by. Efficiency levels were tried to be improved and it was stated that the administrative costs were not very high compared to the positions in other States. It was asserted that the tariff of the WBSEB was lesser compared to that in other SEBs in the country. Levy of fixed charge was permissible, according to the WBSEB, under the WBSEB "General tariff, Regulations, 1965", framed by the Board under section 29(1) (j) of the Electricity (Supply) Act, 1948. Fixed charge was a concept under the two-part tariff system. Minimum charges was being charged to recover the fixed cost. On agricultural tariff, it was stated

that the entire consumption in this sector should be measured and all the consumers in the sector should be metered. Gradually this was being achieved and the WBSEB expected to complete the exercise by 2003-04.

3.13.1 M/s. Birla Corporation Ltd., submitted that Calcium Carbide was a power-intensive industry, power constituting about 43% of the cost of production. The power came from WBSEB. They have moved the WBSEB for lowering the existing power tariff and any increase would compel the industry to close down. By a graphical picture they indicated how the energy cost stepped up from 1994 till 1999. The enhancement in power cost resulted in heavy loss to the Calcium Carbide industry together with a tough competition in the market as a result of liberalisation. Comparative figures were given for Bhutan and China to show how the WBSEB power tariff was excessive. The WBSEB indicated that they had two major thermal power stations at Bandel and Santaldih. It was stated that regarding availability based tariff, full recovery of fixed cost would be possible only if the plant availability of a thermal power station is 80%. But under the current industrial practice and as per Govt. of India notification, fixed cost can be recovered at 68.5% plant load factor. At lower level of availability, the allowance fixed costs were to be restricted proportionately. Six hydel stations of the WBSEB have an aggregated rated capacity 164.7 MW. But the actual plant availability factors were not given. As such, the percentage of capacity charges was to be borne by the consumers, but the same is not ascertainable. For gas and diesel stations also the figures were given. For auxiliary consumption, it was insisted that the norm of 9.5% should be allowed. On heat rate, the objectors gave the norms prescribed by the Govt. of India and also by the Heat Rate Committee, set up by the Govt. of West Bengal. It was asserted that the heat rates achieved by the power stations of WBSEB were substantially high compared to the normatives. It was asserted further that according to the own admission of WBSEB, there was no quantitative measurement of fuel receipts, consumption of stocks, etc. Even where infrastructural facilities existed, they were either inoperative or damaged. On power purchase, it was stated that in purchasing power from WBPDC, the WBSEB gave no consideration to the issues of competition or economy. For the Fy-01, 5600 MU were proposed to be purchased from the WBPDC at an estimated average cost of 151 p. per unit as against actual average of 144.7 p. for 1999-2000, and 139.65 p. for the first half of 2000-01. These decreases in power purchase cost was mainly attributable, according to the objectors, to the decrease in fuel cost surcharge. On the question of purchase from Bakreswar, it was stated that the WBSEB was to justify purchase at a higher cost. In regard to purchase from NTPC and DVC, it was stated that the same was against the general structure of rates which provided for lower rates of supply at higher voltages. Questions were raised on the quantum of T&D loss as projected by WBSEB and also on the costs on different parameters like employees cost, fixed capital expenditure, etc. It was stated that the revenue requirement was over-stated and cost of supply was not properly reflected. They ascertained that on the facts stated by them, there should be reduction in the prevailing tariff so far the HV consumers were concerned. It was stated that the Birla Carbide was a special category of consumer under the HV supply. It was a power intensive industry having round-the-clock operation throughout the year and their load graph was flat. Their power factor was steady around .98 and energy consumption was at a load factor of .85. The consistent demand and pattern of drawal reduced the T&D loss in WBSEB system, and accordingly, the demand charge should not be increased. It was stated that the power stations of WBSEB were operating at a low PLF in spite of higher availability. Accordingly, the objectors prayed for rejection of the proposal of WBSEB and for a direction upon them to continue to recover cost on the basis of normative level of performance after due correction of the anomalies and to further direct them to rework the tariff to indicate clearly the true cost and required surplus chargeable to consumers at each voltage level, particularly HV level. They wanted the WBSEB to make a firm disclosure of all costs in full details and to indicate the real cost of power purchase and to disclose the measures taken for cost reduction and efficiency improvement.

3.13.2 On these objections, the WBSEB came up with the same points on T&D loss and fuel surcharge. They also explained by giving a table of their generation expense. It was stated that most of the units of the thermal and gas stations have already completed their usual life and hence there was low availability and low PLF for the generating stations. The units were posing problems due to wearing out of the machinery and the WBSEB asserted that the PLF situation is likely to improve through renovation and modernisation. On power purchase expenses, the WBSEB stated that their tariff proposal was filed with that anticipated tariff projection from the WBPDC, DPL, DVC, NTPC, etc. At least two of them had also filed tariff revision proposals in this Commission, and the tariff that may be determined, may differ from the projected ones. On fuel

cost and metering, answers on the same line were given as were given for other objectors. On employees expenses, it was stated that the organisation of WBSEB was not disproportionately large and there was no question of size leading to inefficiency and large overhead expense. On fixed capital expenditure, explanations were given regarding hydel generating stations and it was indicated that the Board had made substantial investment towards hydel generation as that was the cheapest form of generation.

3.14.1 The All Bengal Legal Husking Mill Owners' Association raised objections in respect of the proposed hike in power tariff and stated that the rate of electricity per unit was far more than that in other states. It was stated that the WBSEB was running in a loss due to inefficient administration and corruption. It was further asserted that the Board had purchased sub-standard meters and consumers were being saddled with unreasonable bills. Objections were raised on introduction of fixed charge and the high reduction of projected T&D loss. They stated that supply of electricity to big industries at a low price, lending crores of rupees to CESC as also the luxury of non-realisation for a long time were proving suicidal to the WBSEB which was itself facing financial constraints. Objections were raised on the realisation of fuel surcharge.

3.14.2 The WBSEB came up with the replies on these points almost in the same line as covered in reply to other objections.

3.15.1 Bharat Chamber of Commerce, in their written objection, stated that the system loss was caused in the LV supply to the tune of 54%, but the burden was being distributed to all levels of consumers. They quantified the loss in MV level in terms of money to say that the loss accounted for a monetary loss of Rs.929.31 crores. It was stated that the WBSEB could afford to reduce existing tariff by saving the energy eaten away in LV distribution below 11KV. It was further asserted that fuel surcharge was a phenomenon beyond the comprehension of any consumers and the formula adopted lacked transparency. According to this objector, fuel surcharge may be levied only in case of increase in the cost of coal, fuel, freight and handling charges. On annual minimum guaranteed revenue, the WBSEB proposed to withdraw AMGR in respect of EHV and HV consumers. With reference to a decision of the Supreme Court in the case of Bihar S.E.B. Vs. Green Rubber Industries, reported in AIR 1990 SC 699, it was stated that the concept of AMGR was that the minimum rent did not merely cover the actual use but the right to use the current and the consumer had to pay for the right to use the current although he did not in fact use it. According to the objector, it was not a charge payable for the price of electricity consumption and was thus not a part component of tariff but was only one of the terms and conditions of the contract. With reference to another decision of the Supreme Court in the case of Southern India Iron & Steel Co. Vs. the State of Haryana and the Haryana SEB (AIR 1976 SC 1100) it was stated that the price of energy in a two-part tariff system would mean and include the energy charge as also the demand charge. It was stated that only minimum guaranteed revenue was to be fixed by a contract or agreement and once thus fixed by an agreement, it is to be regarded as sacrosanct. Reference was made in this respect to two decisions of the Supreme Court in State of Karnataka vs. Indian Aluminium (AIR 1999 SC 2602 part 4) and Bihar State Electricity Board Vs. Parameswar Kumar Agarwal (AIR 1990 SC 2214 para 16). These objectors stated that in their proposal, the WBSEB did not offer any incentive in EHV/LV consumers for improved power factor which was normally offered by power supply agencies. It was stated that the WBSEB failed to provide complete metering at 11 KV, the metering being done on LV side of transformers with an additional 3% of metered demand and metered energy purportedly to compensate the transformer losses. It was unreasonable to increase metered demand for billing purpose and the practice should be stopped. The introduction of minimum demand charge on the basis of actual demand or 85% of the contract demand whichever was higher, for EHV and HV consumers was opposed. It was stated that the new proposal would put the industries to immense hardship. They also demanded proportionate reduction in minimum demand charge in case of prior intimation to WBSEB of the contingencies under which the industries would be prevented from consuming electricity. Objections were raised on minimum contract demand for small scale industrial units drawing power at 11KV and also on the tariff proposed for SSI units. The objectors opposed the revision of contract demand.

3.15.2 In reply to these objections, the WBSEB explained why there was T&D losses to the projected degree. It was stated that they did not have 100% metering at the substations and associated feeders. Moreover, unmetered supply was also given to the consumers in the agricultural sector and also to those in the domestic sector in remote areas. The Board had around

two lakhs consumers under Lok Deep and MCB category; more than a lakh unmetered agricultural consumers; more than twenty thousand public connections for public lighting and these were a stumbling block in proper evaluation of actual T&D loss. They indicated their attempts to bring down the loss by positive endeavours. On fuel surcharge, the WBSEB explained that they did not envisage any revision in the fuel surcharge component as the increase in fuel cost had been absorbed in the energy charge component. However, according to them, the formula for revision in the fuel surcharge component had been placed before the Commission for the tariff proposal for FY-02. They were entitled to claim it under the law. On rebates, it was stated that the Board offered a power factor rebate to the industrial consumers as maintenance of high power factor ensured that the reactive load on the system was minimised leading to a reduction in non-remunerative drawal of electricity from the Board. According to them, if the PF incentive was offered upto .99, then the PF incentive should be offered for maintaining PF over .95 and PF penalty should be applicable for PF below .9. On annual minimum guaranteed revenue, it was stated that this was being levied to recover their fixed costs and the costs in regard for supplying electricity to MV, HV & EHV consumers. Levy of such a charge was justifiable under the law as per the WBSEB. For tariff for the small scale industries, it was stated that cross subsidy had to be eliminated gradually over a period of time and accordingly, prayer for concession to SSIs would not be entertained.

3.16.1 M/s Eastern Spinning Mills & Industries stated in their objections that they were engaged in manufacturing and export of man-made fibre yarn worth Rs.80 crores. They were major consumers of power and any rise in power price would severely affect them as power costs cover about 12% of their cost of production. They indicated that they had incurred a total capital expenditure of about Rs.1 crore for initialisation of a 33 KV line in terms of the scheme by the WBSEB to ensure stable power in terms of frequency, voltage and uninterrupted supply and because the energy charge of 33 KV supply was 10% less than 11 KV supply. They complained of poor quality of power regarding frequency and voltage. It was stated further that the strategy for keeping a lower tariff for 33 KV consumers was to encourage bulk industrial consumers to opt for a 33 KV supply, and thereby, reducing the existing load on the 11 KV supply. They demanded special rate for the exporting units. They spoke on availability of power load factor of the WBSEB stations to say that at low level availability, the allowable fixed costs were to be restricted proportionately as per the guidelines and the total fixed cost of the generating stations could not be passed on to the consumers. They demanded a rebate on timely payment and insisted that TOD scheme should not be utilised as a revenue raising measure as the purpose of TOD tariff was to bring about a discipline in power consumption pattern during non-peak hours. On the question of maximum demand for 33 KV supply, it was stated by the objectors that the contract demand should be reduced to the 1000 KVA in place of 1500 KVA to attract more consumers to the 33 KV supply. Regarding fuel costs, the present objectors were of the view that the heat rate of the power stations was substantially higher than the normative rates resulting into additional expenditure on fuel and this must not be passed on to the consumers. They also questioned the absence of quantitative measurement of fuel receipts, consumption and stock. On auxiliary consumption, it was stated that the norm of 9.5% should be maintained; but the projected figures were higher. On power purchase cost, it was stated that there were gaps in the data submitted by the Board for purchases from different sources and for power policy followed by the Board was against the general structure of rates which provided for lower rates for supplies at higher voltages. Challenges were there on employees cost, fixed capital expenditure, transmission and distribution loss and on other parameters.

3.16.2 These objections were replied to by the WBSEB and they advanced their submissions in the same line as for others in regard to T&D loss and fuel surcharge. On generation expenses, the WBSEB explained that lower operational factors were mainly on account of ageing of the units of the stations. It was stated that most of the units of the thermal and gas stations had already completed their useable life and that was the reason for low availability and PLF for these stations. On power purchase expenses, the Board was of the view that the imminent power revision for WBPDC and DPL should be taken note of while disposing of the prayer for revision made by WBSEB. On the question of employees cost, the Board submitted that it was not a disproportionately large undertaking leading to inefficiency and large overhead expenses. However, they were ready to make improvement where there was any room for such improvement. The Board explained that they incurred substantial capital expenditure on system improvement and there was no component of infructuous capital expenditure. They supported their proposal for cross-subsidy. On Government subsidy, it was stated that the Board had no

control over it. On quality of supply, the Board replied that it made all efforts to maintain the voltage frequency of the system within acceptable norms. Suitable reply was given on the question of rebate. The introduction of two-part tariff system was also justified in the reply.

3.17.1 Sri Vasavi Industries Ltd., indicated in their objection the background of their establishing an industry in West Bengal. They also indicated the investment made therein. They further indicated that in October, November and December, 2000, they have paid Rs. 23.25 lakhs, Rs. 87.18 lakhs and Rs. 122.16 lakhs towards power bills of the WBSEB of their industry and it was insisted that theirs was a power incentive industry, power being the basic raw material for their product. They asserted that T&D loss for supply to them at 132 KV was negligible compared to the supply made in 11 KV to others; and they could not be burdened with the T&D loss suffered in the lower voltage supply system. They asserted further that their load factor was 85% and power factor .95 and their plant was helping reduction of transmission loss. They challenged the principle of cross subsidies whereby certain sectors were given power at a low price at the cost of industries who were charged more. It was stated that WBSEB was purchasing power from NTPC and other sources at a rate much lower (about 25%) of the tariff charged by them to their consumers. The WBSEB had not undertaken any exercise to restructure their organisation and there was no separation in the fields of generation, transmission and distribution. The WBSEB was not realising dues from CESC and others, and thereby, the pressure was given on the industries like the present objectors. They opposed in the hike in the tariff.

3.17.2 For the above objections also, the WBSEB came up with similar replies as mentioned earlier on the questions of T&D loss, generation expenses, power purchase expenses, metering, employees expenditure, cross subsidy and the hike. By quoting figures, the WBSEB desired to show that the tariff for Ferro Alloy Industry in West Bengal was comparatively low from that any other States of the country and almost everywhere the tariff for Ferro Alloy Industry was at par with HT industrial tariff. It was stated that restructuring was going on in the WBSEB in respect of generation, transmission and distribution utilities. The WBSEB also submitted that it was making all efforts to recover its dues without favour to any particular section of consumers. The amounts recovered are adjusted against payment to creditors.

3.18.1 M/s India Foils Ltd. also filed their objections in respect of the tariff proposal for 2000-01. The concern had been producing aluminium cast coils/sheets, foils and foil based laminates and their factories had been receiving supply at 33 KV from 132 KV sub-station at Adisaptagram. Contract demand for all the objectors was at 4 MVA. They indicated how in course of last four years, the tariff raised from Rs. 2.38 per unit to Rs. 3.70. They requested for waiver of levy of minimum demand charge at 85% of the contract demand. They also requested for change of the procedure connected with allocation of fixed costs. A further prayer was there in connection with computation of auxiliary consumption. There was a demand for proper computation of fuel cost. It was submitted further that the WBSEB took about 55% of the total power purchased from WBPDCCL whose PLF was low and that resulted into an extra burden on the consumers. Regarding purchase from NTPC, it was stated that calculations were wrongly shown and wrong figures were indicated under the head Miscellaneous charges. Regarding power purchase from DVC, it was submitted that the rate for 132 KV supply was higher than the supply at lower KV and this was against the general structure of rates which provided for lower rates for supply at higher voltages. The objectors also submitted that infructuous portion of a capital expenditure should be disallowed and cost of stations should not be rated in the tariff structure. On T&D loss, it was submitted that for high voltage consumers, the T&D loss percentages should be re-computed and there must not be any further increase in tariff for HV supply. Fuel surcharge cost and revenue recovery together with bad debts figures were requested to be re-assessed. The objectors desired that WBSEB should make fair disclosure of its cost in full details, should recast the costs of power purchase, should disclose the cost reduction, efficiency/improvement measures taken by them and to re-work the revenue estimates.

3.18.2 These points were met by the WBSEB in their reply on T&D loss and explanations advanced for others was reiterated and that the same was the plea regarding fuel surcharge and general expenses, power purchase expenses, metering, employees expenses, fixed capital expense, etc. On subsidy, it was stated that the objection that the interest waiver by the Govt. of West Bengal on loans had resulted in over statements of the capital base was based on a wrong understanding. Their revenue requirement was never over-stated and Govt. subsidy was never shown at a lower level. It was indicated that rural electrification subsidy was not being paid by the Govt. of West

Bengal and it was limited to the amount of electricity duty collected and retained by the WBSEB. On receivable and bad debts, it was stated that the WBSEB was making all-out efforts to recover its dues and bad debts was a normal feature for any business activity. Normally, 2 to 2.5% of outstanding debt is considered bad debt. The Board agreed to the fact that as per the concept of cost-based tariff structure, the consumer tariff should be in proportionate to the cost incurred to supply power to them and a consumer receiving supply at higher voltage should get a low priced tariff than those taking power at a low voltage. But historically, the tariff structure had been distorted with in-built cross subsidies and the Board proposed a gradual correction of this distortion so that a sudden abrupt shock may not invade any class of consumer. On rebates, it was stated that the Board offered a prompt payment rebate as also a high power factor rebate. The Board also indicated that it was not possible to estimate the revenue from levy of late payment surcharge with any reasonable certainty. The Board was making sincere efforts to reduce the inventory levels and also to periodical retiring of old and obsolete assets. There was no retirement of assets in the last five years as there was no necessity to do so.

3.19.1 The CESC also came up with their objections against the tariff proposal of the WBSEB. Objections were raised on the points of cost of supply, interim tariff, energy accounting fuel surcharge/fuel cost, off-peak tariff, assumption on tariff payable by CESC and certain other issues. Referring to the historical background under which CESC was working, it was stated that the WBSEB had for the WBREDC supply at 11 KV, accepted the principle of cost of supply for re-distribution, but they did not follow the principle for CESC which was also drawing power from WBSEB for re-distribution. It was stated that WBSEB could not have charged transmission loss at the projected level for supply to CESC. It was stated that WBSEB never went for energy accounting and hence could not claim the projected level of T&D loss. It was submitted that a realistic assessment of actual T&D loss level should be made first and achievable improvement targets, considering the consumers' expectation and the ground realities should be set on a progressive basis starting with real T&D loss level as on today. It was further stated that for calculation for permissible fuel cost as recoverable from consumers, efficiency norms have been prescribed by the Heat Rate Committee, set up the State Government and fuel cost must be computed on such normative values irrespective of actuals. On off-peak tariff, it was stated that the WBSEB did not indicate the basis for charging off-peak tariff. At any rate, it should be lower at least by 20 p. per unit on the norms prescribed by the Heat Rate Committee. They referred to the power purchase agreement to say that the CESC was to observe either their own system of peak/off-peak ratio for system of the WBSEB whichever is more advantageous to CESC, and the proposed ratio is, therefore, not applicable. The peak surcharge was unilaterally introduced by the WBSEB and no peak surcharge was payable, as it did not offer an efficiency choice, i.e., an off-peak tariff linked to Budge Budge generating station. It was further submitted by the CESC that in October, 1998, while revising the tariff, the State Govt. allowed the CESC only Rs.11.5 crores a year for prospective additional tariff impact of WBSEB. But when WBSEB revised its tariff in January, 1999, the increase was more than Rs.11.5 crores. The WBSEB did not take cognizance of this issue and it computed its current revenue from CESC from this revised tariff. Accordingly, CESC claimed that this enhancement should be computed to their tariff calculation also. With reference to plant availability factor and plant load factor of Bandel and Santaldih power stations of WBSEB, the CESC submitted that the figures reflected inefficiency on the part of WBSEB. On power purchase, it was submitted that a substantial quantity of power was purchased by WBSEB from the PDCL, and the tariff charged has significant impact on the pooled cost of power imported by WBSEB. In short, the CESC prayed for fixing bulk power tariff payable by CESC to WBSEB at the cost of supply of WBSEB to the 132 KV bus bars allowing transmission loss not exceeding 4%, to determine recoverable fuel cost only on the basis of efficiency norms, to ascertain actual T&D loss and to fix a realistic time-bound improvement target for progressive T&D loss reduction loss with current year's actual T&D loss as the supporting point.

3.19.2 As against these objections by CESC, the WBSEB indicated that traditionally they had not adopt a special mechanism for fixation of tariff for supply to CESC wherein its tariff had been kept at a level much lower than that applicable to consumers at 132 KV supply. The tariff for CESC for the supply by WBSEB was finalised in such a manner so that the CESC would be in a position to maintain the tariff applicable to their consumers more or less at part with that being applied by the WBSEB to its consumers. The CESC was a distribution licensee with substantial generation capacity with multiple sources of power purchase and had reasonably good consumer basis. It could not be compared with WBREDC, which was a distribution licensee for supply of power to low and medium voltage consumers, traditionally enjoying subsidised tariff. On transmission and

distribution loss, it was stated that the WBSEB did not have 100% metering at the substations and associated feeders. Un-metered supply was also being given to consumers in the agricultural sector as also to some domestic sectors in remote areas. They indicated how the T&D loss percentages rose from year to year due to non-technical causes and what steps were taken to contain this loss. On fuel surcharge, it was stated that the Commission had not indicated the norms or benchmarks for operational and functional parameters and as such the WBSEB had prayed its tariff proposal taking into account the actual costs incurred in reaching the service to the consumers. The formula for FSC had been placed before the Commission for recovery of FSC rates in every six months due to increase in fuel prices. On off-peak tariff, it was stated that it should be designed in such a manner so as to recover at least the fuel cost of supply of power during off-peak hours. Regarding peak/off-peak ratio of 1:4, the WBSEB was entitled to demand penalty if the mode of drawal during peak/off-peak hours was detrimental to the system of operation. On tariff assumption, the WBSEB stated that revenue at the current tariff shown in tariff proposal had to be computed in accordance with the tariff approved by the State Commission. Regarding general expenses, power purchase expenses, etc. stands were taken in the framework as was there on other objections. The WBSEB corrected certain figures given in the tariff proposal touching employees cots, PLF, etc.

3.20.1 Objections were filed on behalf of Eastern Railway stating that the financial health and viability of the Rlys. was closely interlinked with the growth of economy of the nation. It was stated that the Eastern Rly. having traction power supply from WBSEB at 132 KV (EHV supply) at two traction substations, viz. Katwa and Dhatrigram and also at 25 KV (HV bulk supply) at eight feeding posts, viz. Sonarpur, Laxmikantapur, Titagarh, Ranaghat, Asoknagar, Liloah, Benmuri and Adisaptagram - all in West Bengal. The Eastern Rly. was a bulk consumer of electric power from WBSEB consuming energy to the tune of 320 million units per year, paying Rs.113.48 crores in a year to WBSEB, and they have been a good pay master who never defaulted beyond stipulated date. The proposal of the WBSEB for an upward revision of traction energy charges from 255 p. per unit with 10 p. rebate to 290 p. per unit with only 5 p. rebate for the 25 KV system and from 220 p. per unit with 10 p. rebate to 270 p. per unit with only 5 p. rebate for 132 KV system, was seriously opposed. The upward revision on fixation of demand charge was also opposed. It was stated to be discriminated and unreasonable and unjustified. It was pointed out that WBSEB was purchasing power from NTPC at a rate much lower than the one charged by WBSEB from its customers, which was also unreasonable and unjustifiable. Surcharge for low power factor was also requested to be withdrawn. The proposal for enhanced demand charge for drawal beyond contract demand was also opposed. It was stated that a rebate for load factor in excess of 30% should be provided in the tariff and the benefit should be passed on to the Railways. The Eastern Rly. did not agree to the proposal of enhancing maximum demand charges of 85% of the contract demand or actual demand which were higher so far HV and EHV consumers were concerned. The proposal for reduction of rebate for timely payment from 10 p. to 5 p. pr KWH was also opposed. It was stated that the WBSEB was not levying any standing charges from the industrial consumers; but for traction supply only, such standing charges were being realised putting an extra burden on the railway traction system. The WBSEB had fixed a 15-minute duration for maximum demand integration period, but other State Boards and distribution companies had fixed a 30-minute duration for maximum demand integration period and a prayer was made to bring this time period to 30 minutes. They also requested for recording simultaneous maximum demand for all the supply points instead of individual computation. It was stated that the two-part operation system was not truly applicable to railway traction loads. It was pointed out that in case of supply failure on WBSEB's account, supply from adjoining/adjacent healthy traction supply causing a voltage drop which adversely affect train operations. A request was made to keep provision to compensate the Railways for the losses incurred on the above score.

3.20.2 Regarding these objections, the WBSEB took up almost the same stand as was taken against the objections raised by South Eastern Rly. Comparative figures were given for steps to show that the Railway tariff in West Bengal was the lowest even at the proposed level. It was stated that there could not be any comparison between the Railways and other public utilities getting supplies at 33 KV. Public utility tariff was being applied only to establishments like hospitals, charitable institutions, educational institutions, water supply and the like, as those were not revenue earning organisations and were ran by the State Govt. through budgetary support. It was stated that considering that Railways were giving essential services, the instances of supply failure in the cases of Railways were minimised to the best extent and the Board also ensured that

protection equipment, such as lightning arrestors, circuit breakers, were placed in the substations and prayer was there for not levying any compensation for power failure.

3.21.1 Indian Rayon (Jayasree Insulators) submitted their objections against the tariff proposal and stated that they were receiving a poor quality of power from the WBSEB in respect of frequency and voltage, and there were occasional trippings. They gave figures in support of their objections. The objectors stated that they were exporting units and had to face a competition from producers in foreign countries like Austria, Brazil, China, Canada, Japan, etc. where effective power tariff ranged between Rs.1.25 to Rs.1.50 per unit. It was stated that no incentive was given to the exporting units in the tariff proposal. It was further stated that although WBSEB had proposed levy for load factor of 60% and above, the effective rebate for operating on 86% load factor came only to 11 p. It was difficult to achieve a higher load factor in view of adverse conditions, such as, frequent trippings, grid failure, political bundhs, etc. It was prayed that the periods of non/low productivity should be excluded from the calculation of load factor, or in the alternative, the minimum base for giving incentive for load factor should be reduced from the proposed 60% to only 45%; and a rebate should be available on achieving load factor above 45%. On the proposed increase in TOD rate during peak hours, it was stated that loading of 40% of normal rate should be applicable in peak hours, and not at the rate proposed by the WBSEB. On availability and PLF of WBSEB stations, it was stated that at lower level of availability, the allowable fixed cost are to be restricted proportionately as per guidelines so far the thermal stations were concerned. Regarding hydel stations, it was stated that the actual plant availability figures, it was not stated, and as such, the percentage of capacity charges to be borne by the consumers, was not ascertainable. For gas and diesel driven stations, it was stated that fixed costs for such plants should be allowed to be recovered only to the extent of around 2% as the PLF raised from 0% to 2.5% during the FY-2000 and for the next year, it ranged between 0 to 1.4%. On the proposal of WBSEB to charge minimum demand charge at 85% of the contract demand on the concept of being "ready to make power available" to the consumer, it was stated that they expected that the stations would also be available at least to the extent of 80% as per industrial norm. On fuel cost, objections were raised on the question of heat rate and auxiliary consumption. On power purchase, it was stated that the Board did not give due consideration to the issues of competition and economy in the power purchase activity resulting into extra burden to the consumers. The objections were similar in line to those raised by others in this respect and also in respect of employees cost to fix capital expenditure and transmission and distribution loss. It was stated further that there was a huge surplus from EHV supply and a request was made to struck down any further increase in the tariff for EHV supply - rather, a prayer was made to reduce the current tariff to restrict it to the normative cost plus allowable return for such supply. Objections were raised regarding interest waiver/ subsidy from the Government, cost of supply at HV, fuel surcharge, bad debts, discount for high power factor, concession for high load factor.

3.21.2 On these objections, WBSEB came up with the reply and reiterated its plea on the transmission and distribution loss, fuel surcharge and general expenses as it had done in different other objections. It spoke about power purchase expenses for firm and non-firm power supply for WBPDC, for purchase from NTPC. The reply touched the points of metering, employees' expenses, fixed capital expenditure and subsidy. The reply also covered the points of receivable and bad debts, in respects of rebates, etc.

3.22.1 M/s. Gontermann-Peipers (India) Ltd. (Roll Foundry Division) also raised their objections and prayed for a direction upon the WBSEB to compute recoverable costs on the basis of normative levels of performance of various parameters after duly adjusting the anomalies brought out in the objections and to give a further direction on the WBSEB to re-work on the tariff indicating clearly the true cost they required surplus chargeable to the consumers at each voltage level. They desired that the WBSEB should make fair disclosure of its costs in full details, should recast cost of purchase of power, should disclose cost revision/efficiency improvement measures implemented/proposed, should make a fair disclosure of the nature of capital what is capitalised, should resubmit computation of fuel cost and should re-work on the revenue estimate for fuel surcharge considering the fuel cost already billed in for power purchase cost. The objectors contended that theirs was a major engineering unit in the State engaged in the manufacture of high-tech engineering products, viz., iron and steel rolls, mainly used by steel plants. Their main customer was Steel Authority of India and they exported about 30% of their products in international markets. They required high voltage power and power costs constituted almost 95% of their direct cost of manufacture. It was stated that there was abnormal inflation in the costs of

projects capitalised under fixed assets as done by the WBSEB. It was further stated that no benefit accrued to the consumers on account of capital expenditure incurred by WBSEB. According to them, no justification was there for passing other fixed costs of gas stations to the consumers and the cost of generation in those stations were very high. The thermal power stations of WBSEB were stated to be running at a very low availability and at a low PLF. Minimum demand charge as proposed by WBSEB was also objected to together with restricted benchmark auxiliary consumption for coal-fired thermal stations to the normative percentage of 3.5. Questions were raised for highly projected transmission and distribution loss which would not have been more than 9.8% for the HV consumers. It was stated that due to excessive heat rates of the Santaldih and Bandel Stations, extra cost burden was being imposed on the consumers and there was also an extra cost burden due to misuse of fuel. Questions were raised on the high cost of power purchase from WBPDC which met about 55% of the total power purchase requirement of WBSEB. Power purchase from NTPC and DVC were also challenged on ground of un-cleared estimated cost and imbalance in rate. A point was raised regarding high manpower cost per unit of power stating that the number of employees engaged by WBSEB per million KWH production was 3.50 compared to an All-India figure of 2.93. Seen from the point of view of number of consumers it was stated that the WBSEB had 12.30 employees per thousand consumers - the All India figure being only 9.81. It was submitted that due to large number of employees, the employees' cost per unit of power was higher. It was stated that regarding cost of fixed assets, there was over-statement and the same was there for net finance cost. Questions were raised on actual subsidy received from the Government. Question was raised on fuel surcharge cost and revenue recovery and on high interest cost. The non-performing assets, according to the objectors, should have been excluded from the computation of allowable return. Objections were raised on actual figures of bad debts, on power factor and on demand charge.

3.22.2 The WBSEB came up with replies on these objections to reiterate its plea on transmission and distribution loss, fuel surcharge, general expenses, power purchase expenses, metering and employees expenses. It was stated that the number of employees of WBSEB appeared higher than the number of employees in other SEBs in relation to the number of consumers and quantum of units sold, the employees expenses were much lower than that of most of the SEBs. It was stated that the organisation of the WBSEB was not disproportionately large leading to inefficiency or large overheads. Answers were reiterated on fixed capital expenditure, subsidy receivables and bad debts in the tariffs, rebates etc.

3.23.1 Bishnupur Chamber of Commerce and Industry also submitted written objection stating, inter-alia, that although they were not totally against increase in electricity tariff, they wanted consideration on certain factors and problems and put up their reasons to say that loss or deficiency of revenue could be mitigated not only by increasing tariff, but also by a scientific management, by strict vigil and by reduction of undue expenditure. They stated that any increase in tariff would affect the metered consumers only while illegal consumers and hookers were least affected. The Board failed to take any drastic measure to check power theft. It was an open secret that in the festive seasons, hooking holders stole power in bulk. Regarding agricultural connections, it was stated that a rational rating be adopted on the basis of practical measurement of consumption only to see that agricultural power was not used for any other purpose. It was stated that meter reading be made regularly to avoid short billing, excess billing and average billing. The WBSEB was required to evolve a proper method for solution of problems regarding burnt meters or damaged meters. It was stated that in the above eventualities, average billing was done which was on the higher side than the actuals. On MCP and Lok Deep connections, it was stated that these areas were maximum revenue-losing areas and people connected with MCP or Lok Deep connections were enjoying electricity for the purposes other than mere lighting and the cost was being borne by genuine meter-holders. The objectors wanted that proper meter reading be adopted, agricultural tariff be made rational on practical basis, strict vigil and legal measures be taken against power theft, electricity duty be finalised each year and retrospective collection be avoided, Electricity Inspector be engaged in each Sub-Division for finalisation of faulty meter disputes, any circular directly related to customers, be displayed in each office of the WBSEB, specially in cash offices, disputes be settled at an early date.

3.23.2 As against these objections and suggestions, the WBSEB submitted their reply and stated that they were making all out efforts to replace defective meters in the shortest possible time, but due to resource crunches and due to lack of meters in time, there was some delay. They justified their action in average billing for the first three months. It was stated that the method of billing in

case of tampering/pilferage, it is more scientific than the average billing methods. They ascertained that the meters were checked regularly. They came up with replies on cross subsidy and meter rent in line with their replies on these points against other objections. On agricultural tariff, it was stated that there had been national consensus that the entire consumption of electricity should be measured and even agricultural consumers should be metered. The Board proposed to meter all their agricultural consumers in a phased manner by 2003-04. They insisted that under the ERC Act, the tariff should gradually reflect the average cost of supply and the consumer should pay for the consumption of electricity in a reasonable manner based on the cost of supply and the consumer should pay for the consumption of electricity in reasonable manner based on the cost of supply. It was stated that the tariff for the subsidised consumers like agriculture, cold storage etc., was far below than the cost of supply. They did not propose any abrupt change in the cross subsidy system, but they proposed to move gradually towards tariff based on cost of supply.

3.24.1 Exide Industries Ltd., also filed a written objection stating therein that their company produced batteries for the automobiles, the railways, defence, telecommunications, power and renewable energy sectors and was thus a vital contributor to national economy. They reacted sharply to the rise in tariff as proposed by WBSEB. It was stated that the WBSEB stations failed to maintain the availability and PLF norms. It was further stated that norms were not maintained for the auxiliary consumption. According to the objectors, the fuel costs were highly inflated and power purchase was also not made on merit order basis. They prayed for disallowing the infructuous portion of capital expenditure from tariff computation. On T&D loss, it was stated that the entire burden should not be passed on to HV consumers for whom it should be restricted to a maximum of 9.8%. They prayed for a reduction of tariff now prevailing. It was said that there was over estimation of finance costs under different heads and desired that costs not related to the HV consumers should be excluded while computing their tariff. They desired an incentive for exporters and a rebate for timely payment.

3.24.2 So far the T&D loss, fuel surcharge, general expense and power purchase expenses are concerned, as also for metering, fixed capital expenditure, subsidy, rebates, receivables and industrial tariff are concerned, the WBSEB came up with replies as were there for other objectors. The details, therefore, need not be stated again.

3.25.1 An individual objection was received from Shri Anup Kumar Majumdar, produced against the proposed hike in power tariff desired by the WBSEB. It was stated that although the Union Finance Minister had drastically cut the excess duty by 8%, the WBSEB had failed to implement this cut in the electricity bills during the financial year - rather, they proposed to increase the same by 22%. It was stated that WBSEB was a manufacturing company for production of electricity as a finished product and the excise duty applicable to the company at the same rate as that of any other consumer article. The proposed increase was not justified according to this objector, the per unit charge of commercial consumption in the urban areas should be only 53 p. and in the rural areas only 48 p. According to him, the WBSEB was not entitled to claim anything under the heads, electricity duty and meter rent, and their charge cannot be split up into heads like cost of raw materials, delivery charge, overhead expenses, etc. On meter rent, it was specifically submitted that the meters were the properties of the WBSEB and it was the duty of WBSEB to measure the power supplied to consumer and as such no meter rent was legally chargeable.

3.25.2 As against these objections, the WBSEB stated that objection regarding excise duty was mis-conceived one. Excise duty was levied by the Government on the generation and supply of electricity and so no benefit was available to consumers due to any cut in excise duty. The electricity duty was a charge levied by the Govt. of West Bengal, and the revenue under this head do not accrue to the Board. The Board was only collecting the revenue on behalf of the Govt. of West Bengal and passing the same to them. On meter rent, it was stated that meters are placed at the premises of the consumers to measure the consumption of electricity to enable the Board to bill the consumers on actual consumption. The meter rent charged was a nominal amount towards recovery of fixed costs of the meters and it was in the nature of a fixed charge, which the consumer had to pay every month. In case the meter rent is not levied, the tariff would have to be increased correspondently as the Board has to meet its revenue requirement from a combination of charges levied on the consumers.

CHAPTER 4: OBJECTIONS BY DIFFERENT PERSONS AND RESPONSE OF THE WBSEB THEREFOR FOR THE YEAR 2001-2002.

4.1 Objections by Sri Vasavi Industries Ltd.

For the present year also, M/s Sri Vasavi Industries Ltd. came up with submissions parallel to those made for the previous year. It was stated that the objectors had been taking power at 132 KV from the State Electricity Board, and had a contract demand of 29000 KVA for their ferro-alloy plant in an industry deficient district of Bankura. They claimed that they were entitled to concession under the W.B. Incentive Schemes of 1993 and 1999. It was stated that the performance of the WBSEB power stations were below average and they should increase productivity and show better performance to entitle the WBSEB to claim any enhancement in power tariff. They stated that the availability of PLF of Bandel and Santaldih Stations were low. They referred to an order of the CERC dated 4.1.2000 in respect of availability based tariff and recovery of fixed charges proportionate to availability. On hydel and gas stations of WBSEB, the objector stated that the plant availability of hydel stations had not been indicated and the WBSEB should come up with details. The plant load factors for gas and diesel power stations were below the norm and cost could be recovered to the extent of 2% only. It was further stated that for this year, recovery of fixed charges should be allowed to the extent indicated for the thermal and gas stations and for hydel stations, computation should be made on the basis of CERC norms. On fuel cost, it was stated that the basis for determination of fuel cost is attaining of normative heat rate. The power stations of WBSEB had higher heat rate than the normative level consuming extra coal due to inefficient performance, and this cost must not be passed on to the consumers. On auxiliary consumptions, the objector demanded that it should be restricted in the normative level of 9.5%, and not at the projected level. On employees cost, it was stated that the WBSEB had more number of employees from the point of view of man/KWH ration and employees/thousand consumer ratio. On fixed capital expenditure also, objections were raised regarding the projected figures. Regarding power purchase, it was stated that this cost constituted more than 56% of the costs under various heads, and economy should be the yardstick in power purchase activities. On energy plans and T&D loss, the objectors stated that the projected system loss was more than All India Average which resulted in over-estimation of purchase of extra power and if the loss is limited to the All India Average, that would save a sum of Rs.385.29 crores as per calculation of the objectors, and they demanded that this should be excluded from the cost of power purchase. It was stated that any further increase in tariff for HV supply should be struck down - rather, the tariff should be reduced from the current level.

Interest waiver and subsidy from the Government, net finance, expected revenue recovery on fuel surcharge, cost of supply at EHV, etc., as projected was challenged.

4.1.1 As against these objections, the WBSEB submitted their replies in the same line as per the objections of the present objector for the previous year. The WBSEB asserted that the average tariff for ferro-alloy industry in West Bengal was much lower than that in other states. They spoke about prompt payment rebate, about restructuring effected/proposed in the WBSEB as also the steps taken in recovery of dues.

4.2 All Bengal Electricity Consumers' Association and its branch at Bhangore, and certain individual consumers took up objections, many of which were common to each other. To these objections, it was stated that enhancement of tariff was not at all necessary. If the WBSEB could block its wastage through pilferage, it could earn more than that what they were demanding through enhancement of tariff. The WBSEB should have taken effective steps towards realisation of any unpaid dues. Objections were taken on the levy of fixed charges and meter rent. The proposed change in cross subsidy was also opposed. It was stated that electricity was a utility service for current day advancement. The WBSEB being the State-controlled entity, should not go with a profit motive under any interpretation. The enhancement of agricultural tariff and tariff for an under poverty should never be allowed. Series of objections were taken on the quantum of projected T&D loss and in the formula for determination of fuel surcharge. It was stated that during the pendency of proposed hike for 2000-2001, another proposed hike for the next year was untenable. The objectors pleaded for further liberalisation of cross subsidy by reducing the slabs and by making it pro-people. Objections were taken on the deplorable state of quality of power supply by the WBSEB in its own area. The consumers realm under perennial load shedding and on

the problem of low voltage. Rural Bengal, in the summer months, did not get electricity for more than 2 to 3 hours a day, and as a result, there was crop failure. It was stated that the WBSEB staff were in align with power burglars. Questions were raised on the projected transit loss, heat rate and other normative parameters.

4.2.1 The WBSEB explained its stand on cross-subsidy and stated that by and by it would be phased out slowly to have a tariff, based on the cost of supply. It indicated the rebates admitted for load factor for prompt payment and for high power factor. Rebates were given to new and expanding units also and rebates were there for educational institutions. Charging of meter rent and fixed charges were also justified in the reply and about agricultural consumers, it was stated that steps were being taken to meter everyone of such consumers.

4.3 Objections were raised by S.E.Rly. in writing. These objections were under the same line as those for the year 2000-2001 barring different in figures. It was pointed out that the WBSEB was recording and charging maximum demand for individual supply points and this method was quite unrealistic. The Rly. was a moving load; it registered its demand at all the sub-stations through which it passed. Reference was made to a letter from the CEA to the Chairmen of the Electricity Boards indicating that Rlys. should be charged for traction power on the basis of simultaneous maximum demands recorded in contiguous substations of the WBSEB. This guideline was sought to be adhered to for the Rlys.

4.3.1 The reply of WBSEB for this year is also in line with its reply for the previous year against the objection of S.E. Rly. It was reiterated that traction tariff was lowest in West Bengal, compared to other States. On the question of recording simultaneous maximum demand, it was stated that the Board had developed individual step-down substations (132/25 KV) to improve the demand of the Railways at the individual point of supply. According to them, there was no scope for measuring simultaneous maximum demand of the Rlys. taking power at different points for traction purpose. According to WBSEB, different point of supply has got a separate entity and the bulk power supply agreement was also executed against respective points. Under the situation, bills are to be preferred to the Rlys. by the WBSEB on the basis of the parameter recorded by the meters at respective point of supply.

4.4 The Socialist Unity Centre of India (SUCI), in their written objection, stated that the tariff for WBSEB was higher in comparison to other SEBs, and there should not be any rise as that would have an adverse effect on the people, as also on the economy. Claim of rise on the basis of rise in fuel was said to be ridiculous as coal was available from captive colliery at a lower rate. They insisted for maintaining rebate for timely payment to retain an incentive for the consumers. On meter rent, it was stated that more than the price of the meter was already realised through rent and instead of charging any meter rent, the WBSEB should allow the consumers to have their own meters. They also opposed the introduction of a fixed charge and also insisted that the formula for fuel surcharge be rejected. On cross subsidy, it was stated that the procedure be retained; but the slabs may be reduced. They insisted that the loss of the WBSEB was due to wrong meters, wrong billing, rampant theft and corruption and the consumers must not be liable for this loss by any enhancement in tariff. They also pointed out to the failing quality of supply which causes severe damage to agriculture and small industries. According to them, T&D loss in WBSEB was at a level much higher than the T&D loss in other utilities like Tata Electric and BSES. They were of the view that if the Board properly realised its unpaid dues, they may not be in any need to raise the tariff. They vehemently opposed the proposal for 80% hike in agricultural tariff.

4.4.1 These points were met by the WBSEB in their reply indicating why there was transmission and distribution loss to the projected degree. They explained the necessity of fuel surcharge and supported the formula suggested by them. On meter, it was stated that the WBSEB was making all efforts to replace the defective ones. They justified average billing over past three months in cases of defective meters. They also indicated why cross subsidy was gradually proposed to be abolished. On quality of supply, the WBSEB replied that all efforts were being made to maintain the voltage and frequency system within acceptable limits and they were trying hard to reduce the occurrence of tripping. The WBSEB insisted that load factor rebate, prompt payment rebate and high power factor rebate were being retained together with incentive for new/expanding industries as also rebate for educational institutions it was stated further that the Board had been charging only a nominal meter rent from the consumers to recover the fixed costs of the meters. According to them, levy of fixed charges was not illegal as it was permissible under the regulations framed

by the Board under section 79 of the Electricity (Supply) Act, 1948. On agricultural tariff, the Board indicated that there had been a national consensus that the entire consumption of electricity should be measured and all the agricultural consumers should be metered. The agricultural tariff in West Bengal was lower than the average cost of supply and the same had to be increased to fulfill the conditions of the ERC Act.

4.5 A written objection was filed by M/s Price Water House Coopers Limited. It was indicated that this firm had been retained by Infar India to conduct energy audit and they forwarded their objections to the proposed power tariff hike by WBSEB on their tariff. According to them, the proposed hike was not justifiable in view of the present business scenario in which turnovers are falling and cost rising. This, according to them, was bound to make the industries unsustainable and non-competitive. They pleaded that WBSEB should consider cutting cost of power generation, transportation and distribution losses before transferring the burden on an industry that was striving hard to sustain. According to them, if 22 to 30% losses are eradicated, the WBSEB need go for any hike in tariff.

4.5.1 The WBSEB met the above objections only on the points of T&D loss in line with their replies against other objections. They met the other points on industrial tariff and indicated that on principle, consumer tariff should be proportionate to the cost incurred to supply to them. But historically, the tariff structure had been distorted with incomplete cross subsidies and only a gradual correction to this distortion could be made to limit the tariff shock to the respective categories.

4.6 The objections of the Eastern Railway are in line with those raised by them for the previous year, as also in line with the objections raised by S.E.Rly. and there may not be any necessity in elaborating them.

4.6.1 The replies of WBSEB are also in line with their replies against the objections of Eastern Railway for the previous year and the replies against the objections of South Eastern Railway for the present year.

4.7 Objections have been filed by M/s Hindusthan National Glass and Industries. The objectors stated that their concern was a major and consistent consumer of electric power from WBSEB. Their objection related to certain specific points. It was stated that any hike in tariff would adversely affect them as power cost constituted around 13% of the cost of production in their concern. They spoke about quality of supply, which was not at all upto the mark according to them. They raised objections on the low availability and PLF of the WBSEB stations as also on the high rate of auxiliary consumption. On fuel cost, it was stated that heat rate of the stations showed a higher figure than the normal and the extra cost must not be allowed to the WBSEB. There had been no quantitative measurement of fuel receipts, consumption and stock. On administration and establishment expenses, it was stated that increase in these costs must not be allowed beyond the inflation level. On the points of power purchase, it was stated that the Board did not consider computation and economy in power purchase activities and that adversely affected the projected tariff. It was indicated that why there was any cost increase in the cost side by 10% of the expected revenue accrued by 28.7%. On fixed capital expenditure, it was stated that the Commission should disallow the infructuous/disproportionate portion of the capital expenditure from the tariff computation. The projected T&D loss was also challenged stating that the WBSEB had reiterated a T&D loss of only 19% to the Planning Commission. By quoting figures, it was indicated that dismal position in respect of commercial loss in the WBSEB system. With reference to the HV supply, it was submitted that this segment was already over-charged and there must not be any further rise in the tariff for this segment. Rather, there should be a substantial reduction in their tariff. Of fuel cost, it was stated that the revenue estimates should be re-worked considering the actual fuel cost. Objections were raised on the points of bad debts, working capital management, price variation formula, TOD rate during peak hours and concessional rates. Objections were taken on power factor and demand charges.

4.7.1 Against these objections, the WBSEB came up with their usual replies on T&D loss, fuel surcharge, general expenses, power purchase expenditure, fuel cost, metering and employees expenses, fixed capital expenditure. They indicated that they are making every effort to recover the unpaid dues, and once realised, the same are being adjusted against payments to creditors. They explained why the instant tariff was proposed to be increased and what rebates they were

considering. It was stated that the captive power policy was formulated by the Govt. of West Bengal and the Board had nothing to do in this matter and they insisted that they were making all efforts to maintain voltage and frequency in the system.

4.8 In their objection, The Calcutta Electric Supply Corporation (CESC) submitted that far from charging the CESC at cost of supply, the WBSEB proposed a disproportionate increase in CESC tariff by 7.5% against an overall increase of about 5.5%. It was stated that under the Govt. policy, they were discouraged from setting up their own generating units, and instead, were directed to purchase power from WBSEB and DVC. According to them, the provisions of Section 44, 46 and 49 of the Electricity (Supply) Act, were the statutes through which a balance was to be struck between the requirement of utilising economically large generating plants and the requirements of distributing such power to the ultimate consumers. The CESC also submitted that there was abrupt increase in the T&D loss for the year 1999-2000, and this estimation was totally unreasonable. It was submitted that a realistic assessment of actual T&D loss was to be made first. Achievable improvement targets considering the consumers' expectations and ground realities had to be set on a progressive basis starting with real T&D loss as today. On fuel surcharge and fuel cost, it was stated that the norms set by Heat Rate Committee constituted by the State Govt. were to be followed. The CESC was also of the view that there was no basis/computation for charging of off-take tariff as proposed by the WBSEB. They referred to the power purchase agreement between them and the WBSEB to say that it clearly mentioned that CESC was to observe either their own system of peak/off-peak ratio, or the WBSEB's system, which was advantageous to CESC. A unilateral departure by the WBSEB was not therefore permissible under the law. The proposed penalty on this score was also stated to be abnormally high. On assumption of tariff payable by CESC, a plea that was made out for the 2000-01 was reiterated. Objections were taken on other efficiency like generation and distribution. On power purchase, it was stated that the tariff charged by WBPDC to WBSEB had a stuck impact on the bill of cost of power imported by WBSEB. The CESC prayed for fixing the bulk power tariff payable by the CESC on the cost of supply to the 132 KV, vis-à-vis allowing transmission loss in existing 4% for determining fuel cost only on the basis of efficiency norms, for ascertaining actual T&D loss level and to fix realistic time-bound improvement target for progressive T&D loss reduction.

4.8.1 These points have been met by the WBSEB in their reply touching about other points on tariff for licencees. On this point it was stated that traditionally the tariff to CESC had been kept at a level much lower than that applicable to consumers taking supply at 132 KV. This was done with a view to enable the CESC to maintain their tariff applicable to consumers more or less at par with the WBSEB consumers. CESC, however, could not equate this with WBREDC which was basically a distribution licensee for supply of power to low and medium voltage consumers, traditionally enjoying subsidised tariff. On transmission and distribution loss, the WBSEB explained that they did not have 100% metering at substations and associated feeders and certain other sections of consumers were also getting un-metered supply. This stood on the way of actual evaluation of T&D loss. On fuel surcharge, the WBSEB replied that in the absence of norms specified by the Commission, the WBSEB had framed their tariff proposal taking into account the actual cost incurred in servicing the consumers. They pressed that the norms should be settled on realistic basis. On off-peak tariff for licencees, it was stated that it should be designed in a manner so as to recover at least the fuel cost of supply of power during the off-peak hours. On the question of penalty for peak/off-peak ratio, it was stated that WBSEB could reasonably demand such penalty if the mode of drawal during peak/off-peak hours was detrimental to the system operation. On tariff assumption, it was stated that as per requirements of the Commission, the revenue from the existing tariff of WBSEB was shown in the proposal. Replies on general expenses, power purchase expenses were on the same line as were there for the first year. They submitted certain corrections in tariff petitions and desired that the same be considered. They explained the anomaly in power purchase rates and indicated that their tariff proposal was based on anticipated tariff projection from various purchase sources.

4.9 An objection was filed on behalf of Uttar 24 Parganas Bidyut Chalita Agabhir Nalkup Samity, (North 24 Parganas, Power driven Shallow Tubewell Committee). It was indicated by them that the members of this Committee used to run shallow tubewells for lifting water for cultivation. Initially the State Electricity Board provided meters for the tubewells and bills on meter reading were submitted and paid by the members. Subsequently, meter reading was stopped and only average billing system was introduced and an average of Rs.1100.00 per year per tubewell was

being charged despite objections by the Committee. There had been steep rises - four times in seven years - and now comes for Rs.4202.00 per year per tubewell along with irregular arrear bill. The objector objected proposed 80% hike in agricultural sector and demanded that their supply be fully metered, that no late payment fine be realised from the cultivators, that disconnection and re-connection steps should be at the disposal of the cultivators, the transformers are to be repaired within 24 hours of failure and sufficient power should be supplied during the first four months of the current year. They also requested for immediate stopping of power theft by hooking.

4.9.1 The WBSEB indicated in their reply that it made all efforts to maintain voltage and frequency of the system. It was stated that it was not practicable to exempt marginal farmers from levy of late payment surcharge as any delay in payment of bills affect the cash flow of the Board. On the question of lowering the agricultural tariff, it was submitted that it was substantially lower than the average cost of supply. WBSEB was taking every steps to meter each agricultural consumer and the tariff in this sector has to be increased to fulfill the conditions of ERC Act which required that the tariff should gradually move towards average cost of supply.

4.10 M/s Hindusthan Motors Ltd. came up with their objection stating that the proposal to introduce minimum demand charge of 85% of the contract demand for EHV consumers was not a proper one. The contract demand for Hindusthan Motors was 30,000 KVA which will attract a demand charge on 25,250 KVA as against a minimum demand of only 15,000 KVA now prevailing for supply at 132 KV. They indicated how they were facing tough competition with new entrants in automobile sector. They complained about quality of supply in respect of frequency, low voltage and interruption. It was stated that power tariff was hiked by 12% in January, 1999, and there should not be any further increase in a short period again. They spoke about low availability and PLF of WBSEB stations and high auxiliary consumption. They objected to the calculation of fuel costs and power purchase as also on the high figure of employees cost. It was stated that the tariff increase was disproportionate to the cost of power purchase. It was stated that the Commission should disallow the infructuous and disproportionate portion of the capital expenditure from the tariff computation. On T&D loss, it was stated that this was over-inflated and the loss should be at around 19%. They accounted for the loss on the grounds of under-billing, average billing, defective meters, pilferage and non-billing; and prayed for exemption of the EHV consumers from the burden of T&D loss. It was stated that there was already a high surplus from the EHV supply and any prayer for further increase in the tariff for EHV supply should be struck down - rather, the current tariff should be reduced and the same should be restricted to the normative cost plus allowable return. Objections were raised on non-operating income, interest cost computation and net finance cost. It was stated that the cost of supply at EHV should be a basis for fixing the tariff. The price variation formula proposed by the WBSEB was also challenged and they wanted the WBSEB to make disclosure of its costs in full details for HV supply to resubmit computation of fuel cost, fuel surcharge, price variation surcharge, to re-work the revenue estimates, to re-work the demand charges and the tariff applicable to EHV consumers. They raised objections further on the proposed withdrawal of the floor of minimum power factor penalty and demanded rebate on timely payment and punishment for under/over frequency of supply and for supply at low voltage. They raised grievances on the absence of circuit breakers and absence of protective equipment.

4.10.1 Against these objections, the WBSEB made only such statements as they had made in reply to other objections on T&D loss, fuel surcharge, generation expenses, power purchase expenses, metering, employees expenses, etc., and indicated that they were not in a position to reduce industrial tariff immediately. They indicated the rebates they proposed for timely payment for high power factor and also to the new and expanding industries. They explained why the proposed the maximum demand for 132 KV supply stating that relationship between supply voltage and contract demand should ensure optimum utilisation of infrastructure development at transmission and distribution substations.

4.11 Engineering Export Promotion Council (EEPC) of India also opposed the proposals of the WBSEB. It was stated that the proposals were not based on reality. They challenged the projected figure of T&D loss and asserted that it was a rank failure of WBSEB in arresting the gross loss of revenue due to loss of energy and a flat tariff hike to make good such loss was not acceptable. They also challenged the proposed cross subsidisation and objected to non-realisation of revenue from the LV consumers. They reacted sharply to the proposed hike.

4.11.1 The WBSEB in their reply, explained why there was T&D loss to the projected degree. They insisted on maintenance of cross subsidy and indicated their attempts to recover the dues. They also disclosed why agricultural tariff was proposed to be increased.

4.12 M/s Titagarh Industries Ltd. came up with their written objections challenging the assertions of WBSEB in support of price hike. It was stated that increase in price of coal and oil was no reason for higher tariff as the same was recoverable as fuel and power purchase surcharge. It was stated that WBSEB exhibiting utter inefficiency and mismanagement and abnormal wastage and if these things are amended, there may not be any necessity of tariff hike. The projected T&D loss was specifically challenged and it was stated that the bonafide consumers could not be compelled to bear the losses due to theft for which they were not at all liable.

4.12.1 The reply of the WBSEB was mainly on the question of transmission and distribution losses and efficiency measures taken by the Board. It was stated that a tariff hike was required to meet the revenue requirement.

4.13 An objection was filed by Shri Babu Chandra Paul as an individual consumers. He stated that the present tariff for domestic supply was sky-high, compared to the rate existing seven or eight years ago. In this view, the Board did not require any tariff hike if it could block the areas of loss like theft of power and mismanagement. In any case, it was his submission that the price hike must not be effected to the low income group of consumers. As a specific case, he stated how his meter was giving wrong reading and how his request was turned down by the authorities.

4.13.1 In reply, the WBSEB was also on general line indicating the reasons for T&D loss and the steps taken for replacing defective meters in the shortest possible time. The Board also explained why regular meter reading was not practicable and why domestic meters were need only once in three months. It was indicated that though the Board was a public utility, it had to be run on commercial principles and the Board was entitled to earn a surplus of 3% on the net fixed assets after meeting the revenue requirement.

4.14 An objection was filed by the Federation of Consumer Associations in West Bengal stating that the projected claim for T&D loss was not acceptable and at times the loss was greater than the actual units of electricity generated and this was gross exaggeration of the facts. He relied on certain observations of Accountant General, Audit of West Bengal, in which observations were stated to have to have been made that there had been over statement and under statement under various heads. A prayer was made for rejection of the proposal of tariff revision.

4.14.1 In their reply, the WBSEB spoke about transmission and distribution losses and indicated how they were trying to contain it and what were the hindrances thereto. Nothing was spoken on the observation of the A.G., West Bengal, as stated by the objector.

4.15 M/s Indian Rayon Jay Shree Textiles filed an objection for the present year complaining about poor quality of power concerning frequency and voltage and on frequent trippings of power supply. The objectors had gone for installation of 132 KV line of 2 km. from the WBSEB substation at Rishra till their plant incurring a capital expenditure of around Rs. 6 crores and the portion had been completed in February, 1999 to ensure stable power supply and to minimise the energy charges in 132 KV of power to that in 33 KV. But they were not getting the desired quality of power. They stated that proposed hike in quick succession for the 132 KV was totally unjustified. They insisted that an incentive or a concession should be given to the exporting units as the objectors were. They should at least be given a full waiver of electricity duty so that they may have a level plain field in the overseas market. They explained how the incremental rebate for load factor was really effective at a low incentive. They suggested that the minimum base for giving incentive for load factor should be reduced from the proposed 60% to 45%. They demanded rebate on timely payment and objected to the proposed increase in TOD tariff during peak hours from 140% to 150%. They stated that the structure of loading of 40% of normal rate should applicable in peak hours and in case the WBSEB insisted for 50% loading, then similar rebate should be given during non-peak hours also. They also demanded that maximum contract demand for 132 KV should be reduced to 7500 KVA, instead of 15000 KVA. The objectors spoke about low availability and PLF of WBSEB stations and high rate of their auxiliary consumption. They challenged the projected fuel costs, power purchase cost, fixed capital expenditure, financing costs, fuel surcharge, rebate for high load factor/power factor etc. and desired that transmission

and distribution loss should be kept at 19% only as the occurred due to inefficiency of WBSEB. They also questioned the propriety of other projected parameters and stated that for EHV consumers, the tariff should rather be reduced from the prevailing rate. They demanded higher concession for high load factor.

4.15.1 As against these objections, the WBSEB spoke on T&D loss, fuel costs, power purchase expenses, general expenses and other items of expenditure and indicated why industrial tariff should also indicate a rise. The WBSEB indicated the rebates proposed by them and also supported the projected maximum demand for 132 KV supply.

4.16 On behalf of Hind Lever Chemicals Ltd. a written objection was filed stating that for their factory at Haldia, they required about 50 M.U. energy per annum at a peak demand of around 19 MW. It was stated that the power cost comprised of the power cost contributed to about 24% of the manufacturing cost other than raw materials and the objectors were the only producers of Phosphatic Fertilizers in the State of West Bengal and they sold fertilizers at concessional rates to the farmers as desired by the Government. It was stated that power rates had been rising year to year and the average rate of increase was 10% per year and the proposed increase was thus unjustified. They indicated that disruption in power supply in the year 2000 had resulted in severe financial impact on the fertilizer operations. The total interruptions and restriction in supply load, a production loss and consequential financial losses. They prayed that in the interest of survival of the industry, tariff should not be increased.

4.16.1 In reply, the WBSEB indicated why they were unable to reduce industrial tariffs and the Board, by their choice, could not differentiate between consumers of power on the basis of their product. On the quality of supply, the Board came out with a reply that it was making all out efforts to maintain voltage and frequency of the system with acceptable limits. According to them, the system frequency depended on the behaviour of all the other players in the grid. If the other players of the grid overdrew at times of low frequency, the system frequency would further reduce. The Board indicated that they were trying to their best to minimise tripping.

4.17 An objection was put forth by M/s Birla Corporation (unit: Birla Carbide and Gases). The objections were on the points of the financial stringency of the industry, on the poor competitiveness due to high power cost, and on the impact of the Union Budget for 2001-02 which increased the railway freight and put a surcharge on Customs Duty. Objections were taken on low availability and PLF of WBSEB stations and on high auxiliary consumption as also on fuel cost, power purchase cost and other parameters of expenditure. The objections were almost in the same line as was raised by Indian Rayon, and may not therefore, be stated in details.

4.17.1 The reply of WBSEB also touched the points indicated in the reply to the objections of M/s Indian Rayon.

4.18 The Indian Jute Mills Association submitted its objections stating that jute industries were labour-intensive and provided direct employment to about 2,30,000 industrial workers in West Bengal and was responsible for the survival of four million jute farmers and their dependents. The jute industry was one of the largest bulk consumers of the electricity. On an average, about 525 units are required to produce one m/t of jute products and on this basis, the consumption of electricity in the jute mills in West Bengal worked out to a total of 735 MU. Out of the 59 jute mills in West Bengal, 55 were getting supplies of electricity from CESC and 4 from WBSEB. It was stated that the existing tariff itself was quite high when taken together with Govt. duty and the jute industries made a payment of about Rs. 300 crores a year. The proposed increase by 38% was too much to be borne by the industry. They prayed that jute industry be exempted from any increased levy of payment tariff.

4.18.1 The WBSEB, in their reply, stated that the tariff revision requirement has been assessed on the estimated revenue requirement for the year. They accepted that normally there should be a cost-based tariff structure, but historically, the tariff structure had been distorted with in-built cross subsidies and accordingly, a proposal for a gradual correction has been given so as to limit the tariff to the respective categories. It was stated that the Board was not in a position to reduce industrial tariff. As regards any special benefit to a particular industry, it was stated that this was against the provision of the ERC Act.

4.19 M/s Gontermann-Peipers (India) Limited (Roll Foundry Division) came up with the objection for this year also. The objections were in line with those in the previous year. The proposed change in the mode of demand charge and its realisation was objected to showing the resulting increase in electricity bills which would be, according to the objectors, 55% more than that of present one. Objections were raised on the high transmission and distribution losses as projected.

4.19.1 The WBSEB in their reply, explained why there was the projected T&D loss and what steps were taken to contain the same. They also spoke about their inability to reduce the industrial tariff and indicated their attempts to maintain quality supply. They were also introducing the concept of the TOD tariff and a fixed charge.

4.20 M/s Nisan Ferro Cast Limited submitted their objection against the tariff revision proposal for 2001-2002 stating that they were having a mini steel plant at Bhadua, Dankuni, and were bulk consumer of electricity with a contract demand of 2000 KVA. They were having 30% subsidy on energy charge upto 31.3.2001. In the absence of any subsidy thereafter, they were unable to absorb any enhancement in power tariff and, accordingly, the tariff proposal was objected to. It was stated that the WBSEB was charging the mini steel plants at a rate of Rs. 3.28 per unit, whereas, for the DVC, they avail charges amounting to Rs. 2.69. They stated that the Board was run inefficiently; and theft and pilferage increased the cost of production; and the Board proposed to put the burden on the consumers which was not justified.

4.20.1 The WBSEB met the objections with the usual reply on T&D loss, and again with the usual statements regarding their inability to reduce industrial tariff.

4.21 An objection was filed by M/s Eastern India Furnace Association against the tariff proposal for 2001-02. It was stated that the member units of this association were mainly mini steel plants. The objector also insisted for reduction of the subsidy of 30% on gross energy charges as was stated by M/s Nisan Ferro Cast Ltd. They indicated how global recession and down-trend demand of steel due to various alternatives available, the mini steel industries were facing a struggling period. They prayed for rejection of the tariff revision proposal.

4.21.1 The WBSEB spoke in reply about T&D loss and about their inability to reduce industrial tariff.

4.22 The Singoor-Haripal Rural Electric Co-operative Society came up with an objection for the present year also and objected to the rate proposed for this society as also the proposed rate of FSC. They indicated that the society did not consume electricity for their own - rather, they distributed electricity to the consumers in the rural areas of Singoor-Haripal Police Station. They submitted that they should be allowed to pay FSC at a rate of 55% of the prevailing rates. The objections may be read along with the objections for the previous year.

4.22.1 The objection being basically on the FSC, the WBSEB replied on this point only and stated that the society was a distribution licensee and it was its responsibility to recover FSC charge by the Board from its consumers. The society distributed power at a low voltage and was unable to recover the entire FSC paid to the Board on account of distribution loss and also because FSC was not charged from all the consumers. The State Govt. looked into the matter and initially gave a direction that the Board could recover 85% of the FSC from the society. Subsequently, this rate was reduced to 66.67%. The present prayer of further reduction to 55% was not feasible.

4.23 A set of objections came up from Shri Gurupada Dhara and others, all in individual capacity and all in almost of stereotype printed forms. The objectors stated that the loss, if any in the WBSEB, was due to their inefficiency and the consumers could not be loaded with the liability. Even, the present tariff was difficult to bear for the poor consumers, small industries and marginal cultivators. A further rise was, thus, not justifiable. They talked the high projected degree of T&D loss, which according to them, was due to inefficiency and corruption. They also spoke about the change in the pattern of cross subsidy and insisted that although the consumers' slabs may be changed, cross subsidy may not be given a go-by.

4.23.1 Against all these objections, a common reply was filed justifying the prayer for interim hike and the projected transmission and distribution loss. Justification was also advanced for reduction of cross subsidy, indications were given how the Board was making efforts to recover its dues. Justification was advanced for demand of meter rent. For agricultural consumer, it was stated that

the Board was trying to meter every one of them in a phased manner to reach the target by 2003-04. It was stated that the ERC Act was against the policy of showing any favour to any particular class of consumers.

4.24 An objection was filed by M/s Ganga Electro-Cast Limited. It was also a mini steel plant. The objector stated that DVC was having a lower tariff rate compared to the rate of WBSEB. They further stated that due to inefficiency of the Board to check theft and pilferage, cost of production was rising and the same could not be passed on to the consumers. They stated that ferro manganese plants were bulk consumers of electricity with lower tariff than other bulk consumers of WBSEB power supply. They prayed for rejection of the power revision proposal - rather, they wanted a reduction at par with that of DVC.

4.24.1 As against these, the WBSEB explained why transmission and distribution loss was there to the projected degree. They also spoke about industrial tariff and they were unable to reduce the same.

4.25 As already indicated, the Tariff proposals for the FY 2000-2001 and 2001-2002 were kept open for inspection and copies and objections were invited through publication in major newspapers of Kolkata. After receipt of the objections, the dates of hearing were fixed and again insertions were given in the newspapers allowing everybody interested to take part in the hearing subject to permission from the Commission. We had indicated at the beginning of this order as to who had taken part in the Public hearing.

4.25.1 During the hearing, the WBSEB highlighted the points taken by them in the Tariff petitions as also in their replies to the objections.

4.25.2 The objectors raised the same or similar points which have been filed in the written objections and dealt adequately in chapter 3 and 4 and therefore has not been again dealt here.

4.25.3 The points raised by different objectors during arguments were met by Mr. N.C.Roy and Dr. S.C.Bhattacharya from WBSEB and were on similar lines which they have filed in written submission and covered under chapter 3 and 4.

CHAPTER-5: LAW POINTS RAISED IN OBJECTIONS AND DURING ORAL SUBMISSIONS.

5.1 The following points emerged for consideration from the written objections, the replies thereto and from the oral submissions made during the hearing.

- 5.2 a) If tariff could be fixed retrospectively.
 b) If fuel surcharge could be levied as projected.
 c) If a fixed charge could be imposed on the consumers, and that too, during the pendency of writ petition in High Court.
 d) If the principles of cross subsidy should be adhered to.
 e) If a meter rent could be levied at the projected rate.
 f) If the industries could be placed at par with CESC and SHRECS towards extension of grace period for payment.
 g) If the WBSEB is liable to pay interest on the security deposits of the consumers.
 h) If the integration period of 15 minutes duration for recording the maximum demand should be extended to 30 minutes.
 i) If simultaneous maximum demand should be recorded for different points of supply to the traction.
 j) If the WBSEB is entitled to claim a levy from 1.4.2000 after getting in January, 1999.
 k) Whether tariff should be fixed on the basis of cost of supply.
 l) Whether special rate of tariff could be fixed under the law on the basis of the consumer nature.

5.3 The question of fixation of tariff retrospectively was raised during hearing of tariff petitions by other utilities and we had clearly indicated therein that tariff could be fixed from the first date of financial year although the financial year is fully or partly over. We had given reasons for our

opinion. We hold that the Commission is competent to re-determine the tariff with effect from 1.4.2000 for the year 2000-01 and from 1.4.2001 for the year 2001-02.

5.4 The WBSEB is a Board constituted under section 5 of the Electricity (Supply) Act, 1948. Section 59 of the Act speaks about general principles for Board's finance and provides for a surplus not less than 3% or such higher percentage as the State Govt. may specify, of the value of the fixed assets of the Board in service at the beginning of the year. Under the law, the Board is entitled to adjust this tariff so as to ensure that the total revenue in any year of account, after meeting all expenses properly chargeable to revenue, may not leave a surplus less than the above percentage. Section 51 specifically speaks of provisional payments and states that where the price to be paid for electricity by or to the Board under this Act cannot be finally ascertained until after the end of a year of account, the amount to be paid shall be ascertained as soon as practicable thereafter, but the party from whom the payment is due shall make to the other monthly payments on account of the net amounts due in accordance with the estimates made for the purpose subject to adjustment as soon as the actual liability can be ascertained after the end of the year of account. This clearly suggests that when the increase in fuel cost and power purchase cost (if any) may not be determined at the beginning of the year, can be adjusted subsequently and this, in common parlance, is described as fuel and power purchase cost adjustment. The law, therefore, permits such an adjustment and the Commission shall indicate at the appropriate place what should be the formula for realisation of FPPCA and what would be the periodicity thereof.

5.5 It was stated by some objectors that Writ Petition No. 14808 of 1999 was pending at their instance before the High Court on the question of proposed introduction of fixed charge. They stated that the matter being subjudice, the Commission should not record its order on this point. This proposition is not acceptable. The Commission has been empowered under the law to determine tariff and to decide all relative questions after hearing all concerned. In the exercises, the Commission had been given the powers of the Civil Court and the proceedings are for certain purpose judicial in nature and on the whole, must be deemed to be a quasi-judicial in nature and appeal against the order of the Commission having been provided for before the High Court. Nothing has been placed by the objectors to show or suggest that the High Court has given any interim direction asking the Commission not to record any order on the question raised before it. The Commission would bow down to the direction of the High Court - interim or final, on this point; but till such an order is recorded it is felt that the Commission is free to record its own views under the provisions of the concerned statutes, and it goes without saying that the finding of the Commission would always be subject to the finding of the High Court.

5.6 In fixing tariff for the sale of electricity by any utility, the Commission is to take into account the expenses, the reasonable return and the income to find the average rate of tariff and only thereafter an exercise is historically to be made to distribute the liability of payment to different consumers in different degrees. Normally, there should be a uniformity in such distribution, but traditionally, giving a go by to the market policy certain class of consumers are given electricity at a rate lower than the average tariff and the shortfall, compensated by realisation from certain other consumers at a rate higher than the average tariff. This concept is known as cross subsidy. Under this concept, domestic consumers, agriculturists, charitable institutions, public bodies etc. are traditionally given rates lower than the average rate, while industries are required to pay more than the average. The Commission is aware of the provisions of Section 49 of E.S. Act, 1948 as well as Section 29 of ERC Act. While accepting on principle that the concept of cross subsidy is to be abolished, it is felt that due to historical reasons, it may not be done over-night in the very first exercise of the regulatory powers, as that would send a wave of tariff shock to the general masses traditionally enjoying a lower tariff. Accordingly, the Commission would retain the concept of cross subsidy, but would try to bring some rationality in it so that in course of years the tariff structure may remove any artificial anomaly between different classes of consumers. This is to give a signal to the consumers that they are to pay for the electricity they consumed and also to inform the utilities that they are to maintain the quality i.e. uninterrupted and stable rated voltage and frequency of supply as required under the statute.

5.7 On meter rent, the most common objection is that the meters supplied by the WBSEB were substandard and were low-priced. It was stated that the rent already realised through the years was more than the price of the meters and the consumers should be allowed to get their own meters as has been permitted under section 26 of the Electricity Act, 1910. WBSEB argued that the consumer, if permitted to purchase his own meter, is to get it tested and it would be an

enormous job to take up considering the number of consumers of the WBSEB. On the question of charging of meter rent, it is the experience of the WBSEB that a nominal amount was being charged to recover the fixed costs of the meter and this rent was in a nature of fixed charge. If meter rent is not levied, then there would be an addition in the tariff on account of the fixed costs of meters as the Board had to meet its revenue requirement from a combination of charges levied from the consumers. We have gone into rival submissions and also has noted the fact that WBSEB is not able to give meters to all its consumers and a large number of meters are defective which is one of the reasons for more T&D loss. We are of the opinion that normally a right given under the Act cannot be unilaterally denied and WBSEB can put reasonable restrictions in regard to see/check the quality and accuracy of such meters. However, before taking a final decision to change the long existing practice, the Commission will like WBSEB to give a detailed note outlying the advantage, disadvantage of both the systems and in brief the restrictions on quality of meters etc. and procedure for testing, installation and its checking which WBSEB will like to follow if such right is exercised by the consumer. This note be filed with next Tariff Petition. The detail-metering plan may also be filed. The Commission also directs that on priority basis all un-metered connections should be metered, all defective meters should be replaced and all complains regarding meters should be attended to within a specified time- frame.

5.8 Certain industries took objection that while CESC and SHRECS were giving certain relaxation towards extension of grace period for payment, they were not given the same facility and rather charged delayed payment charge. In reply, the WBSEB explained that the industries were consumers by themselves, while CESC and SHRECS were distribution licencees selling power to the ultimate consumers and their non/delayed payment has not affected WBSEB as they have not paid/delayed payment to their suppliers for which no additional charge has been paid by them. It is accepted principles of law that the principle of quality can be insisted amongst equals and not amongst persons who stand on different footings. We can to some extent accept the contention of the WBSEB that the CESC and SHRECS stand on different footing from the industries consuming power by themselves but we are not able to agree and appreciate that it does not affect the financial position or additional cost to WBSEB. This additional cost is again charged by WBSEB to its other consumers and affects its services to consumers.

5.9 On the question of payment of interest to the consumers on their security deposit, we have before us a decision of the Supreme Court as reported in AIR 1999 SC at page 2005 (Ferro Alloy Corporation Vs. A.P. State Electricity Board). The apex court has observed "to offset part of the amount the consumer owes to the Board continually to ensure timely payment of bills by the Board to its suppliers, the advance consumption of deposit is required to be kept with the Board before commencing supply to the high tension consumer. The clauses in the contract in relation to condition of supply of electric energy enable the Board to adjust bill against such deposits. Therefore, this is not a mere deposit of money as in commercial transaction. In demanding security deposit it is open to the court to take note of pilferage. In such circumstances, it can be said that the object of security deposit is to ensure proper payment of bills. Three months' security deposit required from high-tension consumers cannot be characterised either unreasonable or arbitrary." The decision sets at rest any dispute about the nature of security deposit and reasonable conclusion that can be drawn from the above observation is that the security deposit not being a deposit in the nature of a commercial transaction and may not earn any interest thereon. In this respect, however, the WBSEB may keep in view the attitude of another utility (CESC) who allow an interest of 5.5% per annum on the security deposit made by the consumers. We direct the WBSEB to consider this aspect so that the sum deposited with the Board may not be kept idle and more so, when earning interest may be an incentive for the consumers to make the deposits in time and to the degree demanded.

5.10 The next question that required determination, is whether integration of 15 minutes duration for recording the maximum demand should be extended to 30 minutes. This is more technical point than a legal one. In this light, the objection of the WBSEB is also worth consideration. While the objectors have stated that the 15 minutes duration for maximum demand integration period was not in line with the practice in other State Electricity Boards, the WBSEB was of the view that any occurrence of demand above the contract demand was a strain on the systems, and traction being highly fluctuating in nature, an integration period of 15 minutes duration was just and proper from the view point of safety of the system. In our view, the reply has sufficient force in it and we do not propose to interfere with the proposal of the WBSEB on this point but WBSEB shall keep and follow the provisions of Section 2(8) of E.S. Act, 1948 as applicable.

5.11 As charted above is also a technical one touching maximum demand. A question has been raised if simultaneous maximum demand should be recorded from different point of supply to the traction. The objections were raised by different Railways and the objections were common in nature and the replies were also the same. The Railways indicated that they were having power supply from the WBSEB at EHV and HV level at different feeding posts and maximum demand was being recorded separately at separate points. They had prayed for recording simultaneous maximum demand at all the supply points instead of individual computation. The plea of the Railways on this point was that there was no scope for measuring simultaneous maximum demand of the Railways taking power at different points for traction purposes as each point had a separate entity and the bulk supply agreement was executed against respective points. The answer of the WBSEB appears reasonable, and when the parties had agreed for recording individual maximum demand at different supply points, the Commission cannot give a direction to the contrary and we only observe that when they enter for the next agreement, it would be open for the parties to introduce any clause on these points that may be acceptable to the Board and that may be technically feasible.

5.12 The next point that arises for consideration is whether the WBSEB is entitled to claim a revision with effect from 1.4.2000 when they got one in January, 1999. Normally, the revision of tariff is an annual affair and even if the date of effect of the January, 1999 revision is thought to extend for one year, the WBSEB could, under the law, make a prayer for revision after January, 2000. In our view, therefore, the proposal for revision with effect from 1.4.2000 by itself is not improper. The Commission, however, would look to the justifiability of the claim on each parameter before directing any revision.

5.13 A question has been raised if tariff should be raised on the basis of cost of supply. We are to refer to the provisions of Electricity Regulatory Commission Act on this point. Section 22 of the Act casts a duty on the Commission to determine the tariff for electricity in the manner provided in Section 29 and also requires the Commission to promote competition, efficiency and economy in the activities of the electricity industries to achieve the objective and purpose of the Act. As per the preamble to the Act, the ERC Act, 1998, is one for rationalisation of electricity tariff and for transparent policies regarding subsidies, promotion of efficiency and environmentally benign policies and for matters connected therewith or incidental thereto. When the Act was placed in the Parliament, it was accompanied by a statement of objectives, reasons and it was indicated therein "it is essential that the Government implement significant reforms by focusing on the fundamental issue facing the power sector, namely, the lack of rational retail tariffs, the high level of cross subsidies, poor planning and operation, inadequate capacity...". Section 29 speaks what would be the norms for fixation of tariff and clearly indicates that the tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency. The Commission is also required to see the factors which would encourage efficiency, economical use of the resources, good performance, optimum investment etc., and also to see the interest of the consumers with a view to safeguard the same keeping in mind that the consumers are to pay for the use of electricity in a reasonable manner based on average cost of supply of energy. The Commission can differentiate between consumers based on load factor, power factor, total consumption of energy during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which supply is required. Thus, there is no second opinion that the Commission normally is to fix a tariff that progressively reflects the cost of supply. However, this must be looked from the point of view of safeguarding the consumer interest, and in doing so, the historical background cannot be overlooked. The Commission must keep in mind how the tariff structures have been framed and enforced in past over decades, and any abrupt deviation therefrom would only send a tariff shock wave which may not be the purpose of the Act seeking life in the power sector. The Commission feels that while the targets set by the Act are to be achieved, it must be done in a phased manner gradually so that the consumers may get a signal that they are to pay for use of electricity based on the average cost of supply of energy and a signal be also set to the utilities that they should show better efficiency, economy in use of resources, better performance and optimum investment and overall message should be sent to all that generation, transmission and distribution of supply are conducted on commercial principles. The Commission would proceed with the policy enunciated under this paragraph towards determination of tariff.

5.14 The last point enlisted in this chapter relates to the question if any special rate of tariff could be fixed on the basis of the nature of the consumer. This point also stands answered in the

provisions of the law. Section 29(3) clearly states that the State Commission while determining the tariff under this Act, shall not show undue preference to any consumer of electricity, but may differentiate according to the consumer load factor, total consumption of energy during any specified period or the time at which the supply is required, or the geographical position of any area, the nature of supply and the purpose for which the supply is required. The prayer for special rate claimed by any consumer is to be judged under section 29(3) of the Act only and not beyond the parameters indicated therein. In our view, this clause has an in-built suggestion of allowing cross subsidy on the basis of the above parameters and if at all any subsidy is sought by any consumer or class of consumers beyond the scope of Section 29(3), he or they should approach the State Govt. who may require grant of subsidy to him/them subject to the conditions mentioned in Section 29(5) of the Act.

CHAPTER - 6 : OTHER POINTS FOR CONSIDERATION FOR THE YEAR 2000-01

6.1 For this chapter we have before us the analysis and recommendations / suggestions by the consultants, which shall be taken up in the subsequent paragraphs in the order, the consultants have discussed.

6.2 It appears that the consultants have studied the filings of the WBSEB for their Annual Revenue Requirement along with tariff proposals for the financial year 2000-01 and have also obtained additional information and clarifications from WBSEB on a number of issues. It further appears that they have analysed the proposals on certain broad major heads namely, (i) Projected energy sales for 2000-01, (ii) T & D loss, (iii) Energy requirements and supply options, (iv) Generation (Fuel) and Power purchase costs, (v) Operational expenditure, (vi) Determination of return based on net fixed assets for determination of Revenue requirements.

6.3 Energy sales for the year 2000-01

As per filings, the WBSEB estimated their energy sales for this year at 8497 MU and the following table gives the category-wise sales for this year.

Estimated Energy Sales for 2000-01

| Consumer Category | Energy Sales (MU) |
|------------------------------------|-------------------|
| L.T. | |
| Domestic | 1978 |
| Commercial | 543 |
| Industrial | 533 |
| Public Water Works and Crematorium | 52 |
| Irrigation / Agriculture | 859 |
| Public Lighting | 52 |
| Total L.T. | 4017 |
| H.T. | |
| Co-operation | 5 |
| Industrial / Non-industrial | 2738 |
| Railway traction | 530 |
| Total H.T. | Total H.T. 4480 |
| Total (H.T. + L.T.) | 8497 |

6.3.1 We, however, do not find the basis upon which the above estimation was made as there is lack of scientific methodology such as trend, end use or combination of these due to lack of past data. We find that there were more than a lakh of Kuteer Jyothi domestic consumers and another 1 lakh of agricultural services, which were unmetered, and certain high-tension services also were unmetered. It is also found that about 10% of the meters in LT domestic and commercial services were reported to be defective. With these deficiencies the WBSEB have been assessing the consumption adjusting it to keep the T & D loss figure at around 22%. There had been energy audit on a few feeders in some areas during 1998-99 and 1999-2000 and the SEB reassessed the T & D loss at 39.2% during 1999-2000 and had adjusted the consumption of various LT consumers. The consumption arrived at was less than the assessed consumption in the previous

two years. However in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2000 (commercial), the power sold for 99-2000 (p) has been shown 9560.80 MU against 9926.76 MU in 98-99 excluding free sale to Bhutan. However, the total sales reassessed and shown in the petition is 8252 M.U. for 99-2000. The energy sales for the year 2000-01 were estimated on an assumed growth for various categories of consumers based on assessed consumption of 1999-2000. A table compiled by the consultants is worth re-production at this stage.

Estimated Consumption for 2000-01

| Consumer Category | Reassessed consumption for 1999-2000 (MU) | Assumed growth (%) | Estimated consumption 2000-01 (MU) |
|--------------------------------------|---|--------------------|------------------------------------|
| LV & HV Supply | | | |
| Domestic | 1902 | 4 | 1978 |
| Commercial | 522 | 4 | 543 |
| Industrial | 513 | 4 | 533 |
| Public Water WorksPublic Water Works | 50 | 3 | 52 |
| Irrigation/Agriculture | 806 | 6.6 | 859 |
| Public lighting | 50 | 4 | 52 |
| Sub-total | 3843 | 4.5 | 4017 |
| EHV & HV Supply | | | |
| Co-operative Societies | 5 | 0 | 5 |
| Industries & Non-industrial | 2413 | 13 | 2738 |
| Railway Traction | 502 | 6 | 530 |
| Bulk Supply | 1488 | -19 | 1207 |
| Sub-total | 4408 | 1.6 | 4480 |
| Total (LV+HV) | 8252 | 3 | 8497 |

6.3.2 The consultants have expressed their views that they could not estimate the sales for 2000-01 due to lack of reliable past data, but they had compared the projected energy sales with the estimated energy sales as per the 16th Electric Power Survey (EPS) conducted by the Central Electricity Authority (CEA) to assess the reasonableness of estimates of WBSEB. As per the opinion of the consultants, the estimate in the 16th EPS was 9714 MU while the projected estimate was 8497 MU. Accordingly, the WBSEB was asked by the consultants to furnish the actual consumption during April to November, 2000 to compare the actuals with the estimated figures. The SEB could only inform that the actuals of HT sales were available, but not the rest for which they had to lean on the estimates only. The actuals were not furnished before the Commission even at the time of public hearing. In the absence of adequate details it is difficult for the Commission to agree with the estimated sales, as submitted by the WBSEB for 2000-2001 and reassessed sales for earlier years in their tariff petition particularly when different figures of sales have been shown in the Audit Report of CAG of India for earlier years. However, the Commission will go on the basis of Energy available for sales based on allowed T & D loss.

6.4 T & D loss

As per projection of the WBSEB the T & D loss for 2000-01 was 38% as against 39.2% in the previous year. According to the figures furnished before us the WBSEB had reported T & D loss to the tune of 20% prior to the year 1998. The estimation was not based on energy audit. For the year 1999-2000 the loss was reassessed at 39.2% with a technical loss accounting for 21.9% and non-technical loss 17.3%. For the present year, as indicated above, SEB proposed to reduce the T & D loss to 38% and for the next year to 36%. The projection does not indicate the break up for these years of technical losses and non-technical losses. WBSEB tried to justify the high T & D and in public hearing also stated that they are getting subsidy from the Govt. of West Bengal towards T & D losses but could not place any documentary proof in support of this.

6.4.1 In fact, a bulk of objectors had filed objections and most of them were vociferous in their arguments on the projected percentage of T & D loss which was described as abnormal. They questioned as to how the losses ranging around 20% over the years could jump to more than 39% in 1999-2000. The objectors have quoted the figures of T & D losses reported to Honorable Assembly and raised that how those figures can be disputed / changed now. They further contended that figures are now being quoted to get higher tariff. It was contended by the SEB that the earlier reported percentage of T & D loss had not reflected the truth as they have been showing the losses at normative level and adjusting the consumption of various categories of consumers, unmetered/with defective meters. There had been, according to SEB, a limited energy audit from which they derived that the losses would be 39.2% during 1999-2000 and on that calculation they offered to reduce the losses to 38% for the year 2000-01. The objectors have correctly raised the points relating to limited nature of energy Audit in a limited area which does not cover scientifically the major portion of consumers and area of supply.

6.4.2 It is true that a large number of services under the SEB are unmetered and some, although metered, have defective meters. Moreover, the feeder and distribution transformers are also not metered. It is, therefore, difficult to set a benchmark of T & D loss. Benchmark would be arrived at looking to the losses suffered / projected by SEB in the past years and also comparing the T & D losses of other State Electricity Boards of similar size.

In the second mentioned attempt the consultants had made an examination of T & D loss in other SEBs as per following table.

| SI.No. | State Electricity Board / TRANSCO | T & D Losses Reported (%) |
|--------|--------------------------------------|---------------------------|
| 1. | Andhra Pradesh | 35.4 |
| 2. | Maharashtra | 31.87 |
| 3. | Uttar Pradesh | 41.55 |
| 4. | Karnataka | 36.50 |
| 5. | Gujarat | 22.00 |
| 6. | Haryana | 37.55 |
| 7. | Orissa (Discos) | 40.46 |

The consultants reported that although Gujrat SEB reported a T & D loss of 22%, the State Commission fixed it at 34.32%. These State Electricity Boards also have reported their losses to the tune of 20% to 25% in the earlier years, but when they approached the respective State Electricity Regulatory Commissions they had projected a higher figure.

The consultants suggested that the projected loss of 38% for 2000-01 be set as the benchmark for that year with a targeted reduction of 5% for the next year. However it was seen from the Report of CAG that the Audited T & D loss was in the range of 20.67% to 25.51% between 95-96 to 98-99. The figure for 99-2000 is 29.74% and not 39.2% as stated to be re-assessed by WBSEB. The Report further points out that WBSEB has taken 19.36% as T & D loss in Tariff fixation against CEA norm of 15.5%.

6.4.3 The suggestion of the consultants in our view is not acceptable and in the following lines we may put forward our reasoning for not accepting this suggestion. In their break up of T & D loss for 1999-2000 the WBSEB had shown a technical loss of 21.9% and a non-technical loss of 17.3%. The technical losses should be because of scientific reasons and there was certain norms for such losses. Also WBSEB, it appears, has not invested effectively in improving / strengthening its Transmission and Distribution network to contain and reduce its technical losses. We keep in mind that technical losses to WBSEB may be higher than the norm, keeping in view the fact that the command area of WBSEB is spread from the hills to the sea, throughout the length and breadth of West Bengal. At the same time we are to keep in mind the CEA norm for T & D loss. WBSEB can not bring down the T & D loss to that level immediately and sometime has to be given to WBSEB to come near the norms. It is also advisable for them to offer suitable incentives to consumers for opting higher voltage supply where possible so that T & D loss can further be reduced.

6.4.4 The non-technical loss may be caused due to unmetered supply, due to defective meters and primarily due to pilferage. On this score in the year 1999-2000 the claim is reassessed at 17.3% and we again have for consideration the length of the transmission and distribution network of the WBSEB and the socio-economic condition under which theft of electricity is committed and the helplessness of the utility in curbing this menace single-handedly. Theft of electricity is a socio-economic problem. The utility is certainly responsible to stop mass pilferage caused by the offenders by taking timely proper action, but when such pilferage or theft is done at a scale beyond the comprehension of the utility, the utility can not pass on the entire cost of it to the honest consumers as a penalty for their honesty. If strong effective measures are not taken then position is likely to further worsen. The situation often attains a political dimension and any attempt on the part of the SEB or its officials may lead to law and order problem and subsequently to a political turmoil in the area. We can not shut our eyes to this ground reality. On the question of theft of electricity, it is also believed that the public in general has also a role to play. They can set up their own obstructions against theft of electricity for which awareness amongst public is necessary and this awareness can be created by the State and by the utility by proper and adequate audio visual publicity. Keeping in view that the SEB is not solely to be blamed for power theft, we are of the view that they could reduce the non-technical losses by complete metering of all supply and also by replacement of the defective meters. Meters for H.T. consumers and other bulk purchasers should be provided / replaced on priority basis. They can also improve the situation by proper vigilance and by proper departmental action against negligent staff. The state has also a role to play. It can legislate stringent laws against power theft and it can activate its law and order machinery so that the power thieves are punished adequately at an early date. The Commission is also aware that whereas the T & D loss reported was higher but in Tariff calculation for earlier years it was taken at only 19.36% but reassessing it without following adequate procedure / method and increasing it to 39.2% / 38% in a year is not fully appropriate.

6.4.5 Keeping these aspects in view, we find no valid reasons and justification for deviating from the figures in CAG report for earlier years. We may allow T & D loss at 30% for the year 2000-2001 excluding energy supplied to Bulk licencees keeping in view the audited figures in the CAG report with a clear direction to reduce the T & D loss at least by 2.5% every year over next 4 years. If WBSEB is able to reduce the T & D loss more than this, than they will be given suitable incentive which may be equal to 40% of the cost of energy saved beyond the above permissible figures.

6.5 Energy Balance :

With the aforesaid assessment, we may proceed to determine the energy purchase for the year for the year 2000-01. The energy requirement to meet the demand of all categories of consumers would be the energy available for sales to the consumers plus the estimated system loss (T & D loss) as approved by this Commission. Accordingly, the following table would show the energy requirement of the WBSEB for the year 2000-01.

| Item | As projected by WBSEB | As accepted by the Commission |
|------------------------------------|------------------------------|--------------------------------------|
| Energy sales / available for sales | 8497 MU | 9923 MU |
| T & D loss | 5207 MU | 3781 MU * |
| Energy requirement | 13704 MU | 13704 MU |

* excluding bulk supply to Licensees

6.5.1 The energy required as per above calculation has to be met partly from own generation and partly from purchase from various sources. The projected generation at the generating stations and the projected purchases by WBSEB in their tariff filings are summarized in the following table.

Energy Generation & Purchases Projected for 2000-01

| Sl.No. | Source | Energy (MU) |
|--------|------------------------------------|--------------|
| 1. | Energy required | 13704 |
| 2. | Generation (ex-bus) | |
| | i. Bandel TPS | 1958 |
| | ii. Santaldih | 1131 |
| | iii. Kashba GTS | 5 |
| | iii. Kashba GTS | 5 |
| | iv. Haldia GTS | 5 |
| | v. Hydel stations | 338 |
| | Total generation | 3437 |
| 3. | Purchases | |
| | i. WBPDC Kolaghat and Bakreswar | 6500 |
| | ii. NTPC | |
| | a) Farakka | 1635 |
| | b) Kahalgaon | 138 |
| | iii. Chukka | 600 |
| | iv. Ranjit HEP | 60 |
| | v. NEEPCO | 180 |
| | vi. DPL | 274 |
| | vii. DVC | 730 |
| | viii. DPSCL | 150 |
| | ix. Government of Sikkim | 0.01 |
| | Total Purchases | 10267 |

Energy supply plan as assessed by the Commission

The Commission, however, assessed the Energy Supply Plan based on actual generation figures subsequently filed by WBSEB in regard to their Bandel and Santaldih Power Station of 2129 MU and 1054 MU respectively allowing auxiliary consumption @ 10.5%. The supply plan as assessed by the Commission is as under :-

| | |
|-----------------------------------|----------|
| Own generation | 3680 MU |
| Auxiliary consumption | 339 MU |
| Ex-bus generation | 3341 MU |
| Power purchase (Ex-bus total) | 10363 MU |
| Total energy available ex-bus | 13704 MU |
| T & D loss at 30 % | 3781 MU |
| excluding bulk supply to Licenses | |
| Energy available for sale | 9923 MU |

6.6 Expenditure Analysis

6.6.1 To arrive at the revenue requirement the following items of expenditure are to be looked into :

- a) Fuel costs
- b) Power purchase costs
- c) Employees costs
- d) Administrative and General expenses
- e) Repair and Maintenance costs
- f) Interest and Financing charges
- g) Depreciation

Each of these items have been examined and analysed by the Consultants. We shall indicate against each item what were the projection by WBSEB and recommendations of the consultants and what are the findings of the Commission.

6.6.2 Fuel Cost

6.6.2.1 The fuel costs for generation depend on the quantum of generation at each of the stations, on consumption of coal and oil whether by actual weightment or measurement based on normative heat rate, gross calorific value of coal and oil, specific consumption of oil and the delivered cost on coal and oil. As per projection by the WBSEB in their tariff petition for 2000-01, the energy generation and the other connected information are given in the table below :

| Station | Generation (MU) | PLF (%) | Auxiliary Consumption (MU) | Energy sent out (MU) |
|-----------|-----------------|---------|----------------------------|----------------------|
| Bandel | 2200 | 47.4 | 242 (11%) | 1958 |
| Santaldih | 1300 | 30.9 | 169 (13%) | 1131 |

In addition to the projected generation of the two thermal stations as given above, the SEB had furnished the projected generaion at their Hydro and Gas based stations as under :

| | | |
|---|-------------|------|
| | Gross | Net |
| Hydro | - 340.08 | 338 |
| Gas | - 10.00 | 9.76 |
| Diesel | - - | |
| Total including Thermal | - 3850.08 | 3437 |
| The Actual Projected Generation (Net) against this is as under :- | | |
| Thermal | : 2849 M.U. | |
| Hydro | : 487 M.U. | |
| Gas | : 5 M.U. | |
| Total | : 3341 M.U. | |

Our Consultants obtained actual generation figures from April 2000 to January 2001 and are given in the table below :

(MU)

| Sl. No | Station | Generation April 2000-January 2001 | | | Projected for 2000-01 based on actuals for 10 months | | |
|--------|------------------|------------------------------------|------------------------|------|--|------------------------|------|
| | | Genera-tion | Auxiliary Consump-tion | Net | Genera-tion | Auxiliary Consump-tion | Net |
| 1. | Bandel (Thermal) | 1792 | 199 | 1593 | 2150 | 236 | 1914 |
| 2. | Santaldih | 903 | 130 | 773 | 1084 | 141 | 943 |
| 3. | Hydro | 406 | - | 406 | 487 | - | 487 |
| 4. | Haldia (Gas) | 1.43 | - | 1.43 | 1.72 | - | 1.72 |
| 5. | Kasba | 3.19 | - | 3.19 | 3.83 | - | 3.83 |

On subsequent queries by the ASCI, the WBSEB, after March, 2001 furnished the actual generation figures for the two thermal stations. The generation at Bandel station was 2129 MU (gross) and that in Santaldih was 1054 MU (gross). Since the actuals are available, the fuel cost would be calculated on the basis of the actual figures.

It is gathered that the projected PLF of the Bandel and Santaldih stations were 47.4% and 30.9%, while on the basis of actual generation the PLF of these two stations worked out to only 45.8% and 25.0%

The Plant Availability and PLF for gas based, Diesel and Hydro stations as given by WBSEB are as under :-

| | | |
|--------|--------------------|------|
| | Plant Availability | PLF |
| Gas | Not given | 1% |
| Diesel | Not given | - |
| Hydro | Not given | N.A. |

It is observed that Gas station PLF is also very low and it was stated to be used for peaking but it is not supported with data. No reasons for not using Diesel sets or its availability for use has been given except one set at Sagar Island. The full details relating to capacity of Hydro generation vis-à-vis projected generation has not been given even when Teesta canal and Rammam have been added recently. In fact the Teesta Canal Project at a substantial cost has been added during 99-2000 but still the projection for generation included for the year 2000-2001 and 2001-2002 is very low.

The most of the objectors submitted that the PLF of the WBSEB stations were very low resulting in high fixed costs. It was argued that State Electricity Board while commenting on the tariff proposal of WBPDCCL have stated that WBPDCCL were to be allowed full fixed costs only at the PLF of 68.5%. The objectors here pleaded that the same rigour may be applied for the two thermal stations of WBSEB and the fixed cost be proportionately slashed. The objectors also questioned the justification for Teesta Canal, which is to generate only 60.48 M.U. during 2000-2001 and 92 M.U. during 2001-02, where the capital cost of the project is abnormally high. WBSEB contented that they could not increase their PLF to 60% even during 2001-02 in view of the ageing plants which were commissioned more than 25 years ago. SEB had submitted that they were striving to improve the performance of the stations and they could achieve the PLF of 47.4% and 30.9% respectively for these two stations during 2001-02. They had, however, promised to improve performance after R & M works of old units would be taken up. No detail valid reasons / justifications have been given for low generation of Hydrel (164.7 MW), Gas (100 MW) and Diesel stations (18 MW) except for Jaldhaka. The justification of use for peaking load requirements does not fully justify such huge investments at such low utilization. The PLF for gas is less than 1% (average) which works out to an average of 15 minutes generation per day after efficiency discount.

In our view, the plant availability is about 60 to 70% and it may not be impossible to improve the PLF to 60% during the next year and once this target is achieved, it would reduce the cost per unit for the benefit of the consumers. It may be added that one 210 MW unit was added in Bandel in 1983 and this should at least operate at 68.5% as contented by WBSEB in case of WBPDCCL - Kolaghat station.

For the year 2000-01, which had already passed, we work upon the projected PLF and the fall in PLF will be kept in view in future. For the next year, in our view, a better PLF should be achieved.

6.6.2.2 Fuel Consumption

It is stated that the thermal stations of WBSEB have no means of weighing of coal fed into the boilers. Accordingly, they assessed coal consumption on the basis of coal receipts by wagons as per railway receipts and coal was sent to the power stations on stores issue vouchers. This would not reflect the actual coal consumption and the heat rate worked out from this consumption touched abnormally high figures. According to the projection by the WBSEB the adopted heat rate and oil consumption and auxiliary consumption are as follows :

| Station | Heat rate Kcal/Kwh | Oil consumption MI/Kwh | Auxiliary Consumption (%) |
|-----------|-----------------------|---------------------------|------------------------------|
| Bandel | 3158 | 5.0 | 11 |
| Santaldih | 3465 | 2.5 | 13 |

A committee was set up by the Government of West Bengal for fixing the norms of heat rate, oil consumption and auxiliary consumption in the thermal power stations in West Bengal and the recommendation is given below in a tabular form :

Heat rate etc., Recommended by the Committee

| I | Heat 15 rate Kcal /Kwh | 210 MW Units | 60 MW to 120 MW Units |
|------------|----------------------------------|---------------------|------------------------------|
| a) | Above 15 years -25 years | 5.0 | 11 |
| | i)68.5% PLF & above | 2703 | 2865 |
| | ii)Less then 68.5% PLF | 2751 | 2919 |
| b) | Above 25 years | | |
| | i)68.5% PLF & above | 2730 | 2893 |
| | ii)Less than 68.5% PLF | 2781 | 2948 |
| II | Oil consumption | | |
| | Rate ML / Kwh generation | | |
| | PLF below 68.5 % | 6.5 | 6.5 |
| | PLF 68.5% and above | 5.0 | 5.0 |
| III | Auxiliary consumption (%) | | |
| | PLF below 68.5% | 10.5/10 | 11.0/10.5 |
| | PLF 68.5% and above | 9.5/9 | 10.5/10 |

A mere look to the recommendations of the committee and the projection by the WBSEB indicates that the heat rate as projected is high compared to the rate recommended by the committee. WBSEB suggested revised norms of 2869 and 2933 kcal/kwh for Bandel and Santaldih. However, keeping in consideration the age of the plants and the performance of the stations, in the background of the recommendations we may concede to the WBSEB for the present year only the following norms :

| Station | Heat rate (K.cal/Kwh) | Specific oil Consumption (ML/Kwh) | Auxiliary Consumption (%) |
|----------------|------------------------------|--|----------------------------------|
| Bandel | 2800 | 5 | 10.5 |
| Santaldih | 2900 | 2.5 | 10.5 |

6.6.2.3 Transit Loss of Coal

The projected claim in this regard is 4%. This issue was examined by the Consultants and they had compared the claim with the one made by another utility in West Bengal for whom the Consultants have recommended acceptance of 1% transit loss of coal. The Consultants have made the same recommendation for the present utility also. On the projected claim of transit loss a good number of objectors had raised their voices. The WBSEB had submitted that the Committee set up by the Government of West Bengal had recommended a transit loss upto 7%, but the Government had approved only 4% transit loss and the WBSEB prayed for that much only. It is noteworthy that the upper limit of transit loss has been fixed at 4%, but the Government had not flatly allowed 4% transit loss in all cases. Moreover as pointed out earlier, there is no system of weightment of coal. Keeping in view the recommendation of Consultants, we may concede only 1% transit loss as a reasonable one and this loss will be taken into consideration while calculating the fuel costs.

6.6.2.4 Fuel Prices

The weighted average fuel price of the two thermal stations of WBSEB are as follows. We may accept the projected prices. Since we have accepted the weighted average Fuel Prices, there will not be any Fuel Surcharge adjustment for the year 2000-2001.

| Station | Coal prices (Rs./Mt.) | Fuel-Oil price (Rs.KL) |
|----------------|------------------------------|-------------------------------|
| Bandel | 1627 | 12772 |

| | | |
|-----------|------|-------|
| Santaldih | 1553 | 12462 |
|-----------|------|-------|

6.6.2.5 Fuel Costs

Upon the aforementioned normative parameters for fuel consumption etc. and transit loss as allowed, the fuel consumption and the costs calculated by Commission are given in the following table :

| S.No. | Item | Bandel | Santaldih |
|-------|--|---------|-----------|
| 1. | Energy generation (MU) | 2129 | 1054 |
| 2. | Auxiliary consumption (10.5%) (MU) | 223.55 | 110.67 |
| 3. | Energy (Ex-bus) (MU) | 1905.45 | 943.33 |
| 4. | Heat rate Kcal/Kwh | 2800 | 2900 |
| 5. | Total heat required Mkal (4x1) | 5961200 | 3056600 |
| 6. | GCV of oil (Kcal/I) | 10278 | 10400 |
| 7. | Specific oil consumption ml/kwh | 5.0 | 2.5 |
| 8. | Oil consumed (KL) (7x1) | 10645 | 2635 |
| 9. | Average price of oil (Rs./KL) | 12772 | 12462 |
| 10. | Cost of oil (9x8) (Rs. crores) | 13.6 | 3.28 |
| 11. | Heat generated from oil (6x8) (M.Kcal.) | 109409 | 27404 |
| 12. | Heat generated from coal (5-11) (M.Kcal)) | 5851791 | 3029196 |
| 13. | GCV of coal Kcal/Kg (weighted average) | 5010 | 5211 |
| 14. | Coal required (12/13)MT | 1168022 | 581308 |
| 15. | Coal including transit loss of 1% (MT) | 1179820 | 587180 |
| 16. | Weighted average price of coal (Rs/MT) including railway freight | 1627 | 1553 |
| 17. | Cost of coal (16x15) (Rs. crores) | 191.96 | 91.19 |
| 18. | Total fuel costs (Rs. crores) (10+17) | 205.56 | 94.47 |
| 19. | Energy (variable) cost Ps/Kwh (18/3) (Ex-Bus) | 107.88 | 100.15 |

Together with the costs of the thermal stations we may add fuel cost for the gas based station which has been projected at Rs. 6.32 crores for generation of 10 M.U. but the details and basis have not been given. However, as pointed out earlier, it appears that gas stations are not being operated properly and actual generation is less than 6 M.U. We, therefore, allow only Rs. 2.50 crores cost on this account. The total fuel costs for thermal and gas station comes to Rs. 302.53 crores.

6.6.3 Power Purchases

As per projection WBSEB meets about 75% of its energy requirements by purchase of power from various sources. In their tariff proposal for 2000-01 the WBSEB had shown purchase of power to the tune of 10,267.47 MU at total cost of Rs. 1851.69 crores as per the following break up.

| Sl. No. | Source | Energy (MU) | Price Ps./ Kwh | | | | | Total cost (Rs.crores) | Total Cost (4+7) Ps./Kwh | Total cost (Rs.crores) |
|---------|-------------|-------------|----------------|----------------|-------|-------|--------|------------------------|--------------------------|------------------------|
| | | | Fixed Charges | Energy charges | FPs | | | | | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | | |
| 1. | NTPC | | | | | | | | | |
| | a)Kahalgaon | 137.82 | 107.70 | 50.86 | 32.29 | 83.15 | 190.84 | 26.30 | | |
| | b)Farakka | 1635.00 | 97.30 | 46.16 | 40.49 | 86.65 | 183.95 | 300.76 | | |
| | NTPC Total | 1772.82 | 141.98 * | | | 86.38 | 228.36 | 404.84 | | |
| 2. | Chukka | 600 | 110.23 | | | | 131.00 | 78.60 | | |
| 3. | Ranjit HEP | 60 | | | | | 211.00 | 12.66 | | |
| 4. | NEEPCO | 180 | | | | | 125.00 | 125.00 | | |

| | | | | | | | | |
|-----|-------------------------------------|----------|--|--|--|--|----------|---------|
| 5. | DPL | | | | | | | |
| | 132 KV | 125.00 | | | | | 165.00 | |
| | 33 KV | 147.64 | | | | | 176.00 | 46.96 |
| | 11 KV | 2.00 | | | | | 176.00 | |
| 6. | DVC | | | | | | | |
| | 132 KV | 56.48 | | | | | 280.47 | |
| | 33 & 11 KV | 673.52 | | | | | 267.95 | 196.31 |
| 7. | DPSC | 150.00 | | | | | 173.78 | 26.07 |
| 8. | Govt . of Sikkim | 0.01 | | | | | 141.55 | |
| 9. | WBPDC | | | | | | | |
| | a)Kolaghat | | | | | | 151.00 * | |
| | b)Bakreswar | 6500 | | | | | 250.00 | 1022.60 |
| | Total Purchase | 10267.47 | | | | | | 1810.54 |
| 10. | Transmission cost to PGCIL & NEEPCO | | | | | | | 40.66 |
| 11. | Wheeling charges to CESC & DVC | | | | | | | 0.49 |
| | Total cost of power purchase | | | | | | | 1851.69 |

* Includes income tax etc.

6.6.3.1 In the earlier paragraphs of this chapter we have indicated the projected figures of energy generation and purchase. We have also indicated what was the actual generation and given an energy balance to show what were the energy purchase and energy available for sales and the permitted T & D loss.

6.6.3.2 The Consultants had observed certain variations in the proposed purchase from certain sources when compared to the actuals for 2000-01 as per following table:

(MU)

| Station | As proposed by WBSEB | Actuals | Difference |
|---------|----------------------|--------------------|------------|
| WBPDC | 6500.00 | 5541.00 600.00* | (-) 359.00 |
| DPL | 274.64 | 159.43 | (-) 115.21 |
| DPSC | 150.00 | 194.54 | (+) 44.54 |

* Bakreswar

The purchase from WBPDC includes purchase from Bakreswar unit and as the present application relates and as WBPDC has recently come up with a prayer for tariff fixation for the Bakreswar unit, we have three options before us for the amount of purchase from Bakreswar. We could either accept the projected cost by WBPDC or could go by the cost as claimed by WBSEB or assess the cost and make a provisional order keeping the tariff revisable after fixation of tariff for the power from Bakreswar. We have provisionally taken the cost on primary assessment based on projected cost of WBPDC and it will be subject to adjustment after finalisation of tariff. It has been observed that the miscellaneous charges (Income Tax etc.) claimed in NTPC tariff is about 44 paise/kwh which is about 24% of total of fixed charge and energy charge. This appears to be on higher side and WBSEB is directed to examine this in detail and give relevant details / basis with a note while submitting their claim for Fuel Surcharge adjustment on account of purchase of power for the year. Provisionally we have not taken Rs. 20 crores on this score from the amount as claimed. WBSEB has claimed Rs. 196.31 crores for purchase of 730 MU from DVC. The average rate work out to 268.92 p/kwh including demand charge against 264.40 p/kwh claimed and

allowed to DPSCL. There may be some difference due to impact of demand charge and voltage of supply but the fact is that DVC gives a rebate of 15% on power supplied to the SEB's in Bihar (now Jharkhand) and West Bengal. This rebate was enhanced from 10% to 15% from August '99 subject to the approval of Government. It is to be seen that WBSEB in tariff petition only takes the tariff after rebate and claim the rebate from DVC if not fully availed. However, it may be added that WBSEB, as per the copies of the bill submitted with the petition, have not accepted the revised tariff of DVC and have reduced the bills substantially and passed the bills between average rate of 111 p/kwh to 132 p/kwh. We have, therefore, provisionally taken the rate of 220 p/kwh only. WBSEB may give a detailed note in this regard with its tariff petition of 2002-03 and/or claim for power purchase adjustment if any for 2000-01. WBSEB has also not given the details and the basis of calculation of transmission cost to PGIL and DVC/CESC including Income Tax reimbursed to PGIL. We have provisionally allowed Rs. 38 crores on this account. A comparative chart would show the purchase from different sources and the cost therefor as proposed by the WBSEB, recommended by the Consultants and as allowed by the Commission.

| Sl. No. | Source | As proposed in triff filings | | As revised by consultants | | As allowed by commission | |
|---------|----------------------------------|------------------------------|------------------------|---------------------------|------------------------|--------------------------|------------------------|
| | | Energy (MU) | Total cost (Rs.crores) | Energy (MU) | Total cost (Rs.crores) | Energy (MU) | Total cost (Rs.crores) |
| 1. | NTPC | | | | | | |
| | a)Kohalgaon | 137.82 | 26.30 | 379.00 | 72.32 | 137.82 | |
| | b)Farakka | 1635.00 | 300.76 | 1935.00 | 355.94 | 1635.00 | |
| | c)NTPC Total | 1772.82 | 404.84 * | 2314.00 | 528.41* | 1772.82 | 384.83 |
| 2. | Chukka | 600.00 | 78.60 | 600.00 | 79.60 | 600.00 | 78.60 |
| 3. | Ranjit | 60.00 | 12.66 | 60.00 | 12.66 | 60.00 | 12.66 |
| 4. | NEEPCO | 180.00 | 22.50 | 180.00 | 22.50 | 180.00 | 22.50 |
| 5. | DPL | 274.64 | 46.96 | 159.43 | 27.26 | 171.04 | 32.33 |
| 6. | WBPDC | 65000.00 | 1022.60 | 6141.00 | 966.12 @ | 7159.91 | 1060.00 |
| 7. | DVC | 730.00 | 196.31 | 730.00 | 196.30 | 270.76 | 59.57 |
| 8. | DPSCL | 150.00 | 26.07 | 194.54 | 33.81 | 148.14 | 24.92 |
| 9. | Total Purchase | 10267.47 | 1810.54 | 10378.97 | 1866.66 | 10362.67 | 1675.41 |
| 10. | Transmmission cost to PGCIL etc. | | 40.66 | | 40.66 | | |
| 11. | Wheeling charges to DVC /CESC | | 0.49 | | 0.49 | | 38.00 |
| 12. | Total cost of power purchase | | 1851.69 | | 1907.81 | | 1713.41 |

@ includes cost of 600 MU from Bakreswar TPS at 250 Ps/Kwh

* includes miscellaneous charges (income tax etc.)

We find that DVC power may be the costliest in view of the reasons / points mentioned above and it was stated by the WBSEB that they could not extend their 220 KV network to DVC area and accordingly they were under compulsion to purchase power from DVC to serve their consumer in DVC area. Looking to this practical difficulty we feel that the WBSEB have to depend on DVC till they are able to extend their 132 and 220 KV network in the DVC area and serve the consumers from their own power. They may therefore interchange the purchase of power between DVC and NTPC subject to system constraints and merit order. WBSEB is also advised to examine the compulsion of purchase of costlier power from DVC in the light of section 29 and 49 of ERC Act vis-à-vis DVC Act and come up with a detailed note in its tariff petition of 2002-03. Objections were raised on the point of high cost of power purchase from DVC and it was submitted that if WBPDC could improve the performance of their Kolaghat Power Station to higher PLF and WBSEB at their Thermal and Hydro plants then the cost of power to WBSEB would be reduced. We have already given a direction to WBPDC in the order on their tariff petition that they were to improve their performance, but the fact is that WBSEB has to absorb that power. It may be mentioned that

due to non-absorption of power by WBSEB in 2000-01 from Kolaghat, 8% PLF was allowed to WBPDCCL in Kolaghat on this account which ultimately again increase the cost of power to WBSEB. There is, therefore, greater need on the part of WBSEB to re-assess and carefully plan their procurement programme in more scientific and economical way to save costs on this account. WBSEB should go for cheaper power subject to system and demand constraints and radial load requirement and try to have better load management. Due care and preference are to be given for the purchase of power from WBPDCCL and DPL keeping in view the impact of deemed generation due to low system demand. It would be unfair to pass the burden of higher cost of power due to not availing / purchasing the power in merit order keeping in view the total financial impact. WBSEB should also re-examine and review the purchase agreements, plans keeping in view the new tariff structures and impact of availability based tariff if applicable, and then come up with a realistic and economical purchase programme and submit the same along with a detailed note and justification thereof in the tariff petition for F.Y. 2002-03. The note should also cover their Hydel Projects and give details pertaining to capacity, availability of unitwise machine, projected availability of water monthwise, generation plan monthwise, unitwise repairs and maintenance plan, spillage of water, if any, and reasons of low generation.

6.6.4 Employees Cost

As per projection by the WBSEB the employees cost was Rs. 427.75 crores for the year 2000-01 and the corresponding figures in 1997-98, 1998-99 and 1999-2000 were Rs. 263.42 crores, Rs. 367.27 crores and Rs. 401.30 crores respectively. It appears that the employees cost for the year 2000-01 is about 6.59% more than the employees cost in the previous year. The rate of increase in 1998-99 was about 39% and in the year 1999-2000 was about 9%.

6.6.4.1 It is gathered that WBSEB had 38,452 number of employees on 31.3.2000 and it served more than 31.18 lakh consumers and had sold 8252 MU during 1999-2000. The figures may be compared with those of the State Electricity Boards of Maharashtra, Andhra Pradesh, Gujarat and Karnataka and we take the help of the compilation by the Consultants as per following table :

| SEB/Utility | No. of employees per 1000 consumers | No. of employees per M.Kwh |
|--------------------|--|-----------------------------------|
| MSEB | 9.27 | 2.11 |
| APSEB | 7.17 | 2.70 |
| GEB | 7.65 | 1.53 |
| KEB | 5.11 | 2.01 |
| WBSEB | 12.33 | 4.66 |

A mere look indicates that the number of employees viewed from the number of consumers as also from the quantum of sale of energy is abnormally high compared to other State Electricity Boards and we find sufficient force in the objections that the number of employees of WBSEB was disproportionately high. In this regard, the WBSEB tried to justify their engaging such a huge number of employees and stated that the workload demanded by such number of employees and there could not be a comparison with other State Electricity Boards. The WBSEB pointed out that although apparently the number of employees appeared high, the employees cost per kwh in WBSEB was 34.49 paise / kwh during 1999-2000 against All India average of 37.72 paise / kwh and they insisted that the establishment / administrative charge in terms of paise / kwh in the WBSEB was less than the State Electricity Boards in Uttar Pradesh, Tamilnadu, Punjab and Madhya Pradesh. It may be that the WBSEB had a lower employees cost per kwh compared to the All India average during 1999-2000 but the Commission takes note of the fact that WBSEB engaged more employees per 1000 consumers or more employees for production than certain other SEB's and if the employees strength is properly utilized / redeployed the employees cost / kwh would further lower down. Accordingly, we direct that the SEB should take every step to have its employees strength under control and to re-deploy and re-train them to avoid contract work, if any, to the extent possible. A note on the action taken / proposed to be taken should be given along with the tariff petition of 2002-03.

6.6.4.2 Overtime Payment

On this score the projected figure for 2000-01 is Rs. 20.42 crores and this works out to about 10% of the total basic salary whereas all employees are not entitled for O.T. The concept of overtime is to give incentive to employees who attend to essential services towards operation, maintenance and distribution when it is absolutely necessary to attend to work beyond normal hours of working. Overtime allowance is not meant to be doled out as a matter of course but only to employees on the essential service and required to work beyond normal hours of working. The SEB, however, had explained that overtime payment was paid only to technical staff and it had to be paid to complete the works in time and to maintain uninterrupted supply during festive months as there was no recruitment for the last 5 years. To give a signal to the WBSEB that liberal overtime expense are not to be given unless actual overtime work is done and it should be given only to the persons concerned, we make a nominal cut of 5 crores towards overtime expense and allow only Rs. 15.42 crores in this regard. We allow Rs. 420.38 crores under the employees cost.

6.6.5 Operation & Maintenance Expenses

6.6.5.1 On this score the WBSEB laid claim of Rs. 97.61 crores for the year 2000-01 including expenses on plant and machinery, vehicles, transmission and distribution network etc. A break up of the expenditure of each sub-head for last three years and the projected expenditure in the year 2000-01 was compiled by the Consultants as per following table :

Operation and Maintenance (R & M) Costs

(Rs. crores)

| Sl. No. | Item | Actuals | | | Projected |
|---------|-----------------------------|--------------|--------------|--------------|--------------|
| | | 1997-98 | 1998-99 | 1999-2000 | 2000-01 |
| 1. | Plant and Machinery | 38.05 | 43.38 | 51.10 | 56.60 |
| 2. | Buildings | 4.48 | 6.66 | 6.21 | 6.80 |
| 3. | Civil works | 1.20 | 1.16 | 0.95 | 1.00 |
| 4. | Hydraulic works | 0.98 | 1.63 | 2.06 | 2.30 |
| 5. | Lines, cables, network etc. | 21.74 | 25.82 | 26.61 | 29.50 |
| 6. | Vehicles | 0.29 | 0.32 | 0.27 | 0.30 |
| 7. | Furniture and fixtures | 0.16 | 0.21 | 0.29 | 0.31 |
| 8. | Office equipment | 0.29 | 0.45 | 0.69 | 0.80 |
| | Total | 67.18 | 79.63 | 88.18 | 97.61 |

As per the Consultants, the operation and maintenance cost work out to about 2.75% of the gross fixed assets and is comparable with the expenditure on this score in most of the other Electricity Boards. Moreover, it has been analysed that the projected expenditure on O & M for this year is about 10.7% over the previous year and the annual increase for last several years had been at a rate of 8.5% over the previous year. Considering the fact that the rate of inflation had been in downward trend we allow 6% increase over last year's actual expenditure of Rs. 88.18 crores. The expenditure allowed under this score, thus comes to Rs. 93.47 crores.

6.6.6 Administrative and General Expenses

The claim in this regard for the year 2000-01 is Rs. 53.66 crores including expenditure on number of miscellaneous items such as rents and taxes, conveyance, travel, telephones, security expenses etc. A comparison of the projected figure with the expenses on this score for the last 3 years shows that in 1997-98 the expenses were Rs. 43.68 crores, in 1998-99 Rs. 43.61 crores and in 1999-2000 Rs. 47.82 crores.

| | | (Rs. in crores) |
|------|--|-----------------|
| i) | Rent, Rates & Taxes | 3.96 |
| ii) | Legal charges | 0.51 |
| iii) | Audit fees | 1.50 |
| iv) | Freight for inter-depot transfer of materials etc. | 3.57 |
| v) | Purchase related expenses | 1.18 |

| | | |
|-----|--|-------|
| vi) | Other Administrative & General charges | 37.10 |
| | Total | 47.82 |

We do not consider any increase in expenditure in first five heads and direct WBSEB to minimize the expenditure on freight for inter-depot transfer of materials through advance procurement planning. 6% increase in other Administrative and General charges is, however, allowed. Total expenditure under Administration and General expenses, items, allowed is Rs. 50.05 crores.

6.6.7 Provision for Doubtful Debts

The WBSEB made a provision for Rs. 9.34 crores towards bad and doubtful debts for the year 2000-01. It is gathered that the provision for bad and doubtful debts is being made every year at 2.5% of the dues from consumers with effect from FY 1986-87. It is observed that the receivables by the Board have reached such proportion that is more than 10 months sales revenue. This is unusually high. SEB should gear up its process of billing, collection including recovery of arrears and make an age-wise analysis of the arrears to see that the outstandings are recovered immediately. The arrear realizing must be done with improved collection efficiency and suitable measures under law and the arrear graph must be brought down gradually to a level of about three month's sales revenue for which the Board is holding security deposit from consumers. The receivables against supply of power at the end of 1999-2000 was Rs. 1791.30 crores and 2.5% of that comes to Rs. 44.78 crores. The provision for Doubtful dues created upto 1999-2000 is Rs. 42.04 crores. We, therefore, allow balance Rs. 2.74 crores only as provision for the year 2000-01. The Commission further directs that the list of defaulters owing more than Rs. 1 lakh for a period more than 6 months may be given along with Tariff Petition of 2002-03 along with the status report of the recovery.

6.6.8 Capitalisation of Expenses

The employees cost and other expenses incurred on capital works and paid from the revenue account, if any, are given credit to the revenue account.

For the year 2000-01, under consideration the WBSEB proposed to capitalise Rs. 55.49 crores as expenses incurred on employees and other items. It is stated that the expenses have been capitalized based on the historical ratio of expenses capitalized to the opening capital works in progress and this ratio had been more or less stable between 7 to 9%. Our consultants have looked to the figures for a period between 1992-2000 and worked out an arithmetic average of the period as 7.8%. The consultants have also examined the expenses capitalized over the last 5 years and they found that this was in the order of 17 to 18% in the case of employees cost alone and 7 to 15% in the case of Administrative and General expenses. When the total of employees cost and Administrative and General expenses are taken together, the figure comes to more than 14%. The capitalization of employees cost and Administrative and General expenses on investment separately, works out to Rs. 80.28 crores and employees and Administrative and General expenses together it works out to 81.19 crores. Our consultants had suggested looking to the historical aspect for acceptance of 17.47% of capitalization of employees cost and 10.58% of Administrative and General expenses. Under this calculation, the sum comes to Rs. 80.28 crores. It was pointed out by the SEB that the method of capitalization as suggested by the consultants was different from the method followed by the SEB. It was further stated that the Teesta Canal Project, had been completed and accordingly capitalization would not be at the level of earlier years and would be lower. We are of the opinion that the capitalisation of employees cost and administrative and general expenses has a bearing on the capital expenditure incurred during a particular year and it has no sole relation with the work-in-progress at the beginning of the year or the value of works capitalized during the year or earlier years or on historical basis. We have ascertained the value of capital works done by SEB in last four years and expenses capitalized in different years as under :

(Rs. in crores)

| | 1996-97 | 1997-98 | 1998-99 | 1999- |
|--|---------|---------|---------|-------|
| | | | | |

| | | | | 2000 |
|---|---------|---------|---------|----------|
| 1. Opening value of W.I.P. | 1702.83 | 1780.42 | 1909.32 | 2116.67 |
| 2. Closing value of W.I.P. | 1780.42 | 1909.32 | 2116.67 | 1785.59 |
| 3. Increase/(decrease) in the value of W.I.P. during the year (2-1) | 77.59 | 128.90 | 207.35 | (331.08) |
| 4. Value of Assets capitalized during the year | 263.77 | 228.46 | 246.19 | 866.26 |
| 5. Value of capital works done during the year (3+4) | 341.36 | 357.36 | 453.54 | 535.18 |
| 6. Expenses capitalised | 44.84 | 47.78 | 70.79 | 72.74 |
| 7. (6) as % of (5) | 13.14 | 13.37 | 15.61 | 13.59 |

From the above, it comes out that the expenses towards employees' cost and administration and general charges need to be capitalized at the rate of approximately 14% of the value of capital works done during the year. SEB projected Rs. 665.31 crores as the value of capital works to be executed during 2000-01 including capitalized expenses. At 14% capitalization rate, expenses to be capitalized comes to Rs. 81.70 crores.

6.6.9 Depreciation

The WBSEB has claimed Rs. 185.26 crores towards depreciation during 2000-01 on the gross fixed assets of Rs. 3176.72 crores at the beginning of the year. Depreciation has been claimed on straight line methods at rates fixed by the Government of India. The gross value of the assets for the last 5 years and the depreciation claimed were presented in a tabular form by the Consultants which is given below :

Depreciation

(Rs. crores)

| Year | Gross block at the beginning of the year | Depreciation |
|-----------|--|--------------|
| 1996-97 | 1571.66 | 108.39 |
| 1997-98 | 1835.41 | 121.36 |
| 1998-99 | 2063.87 | 129.69 |
| 1999-2000 | 2310.06 | 139.59 |
| 2000-01 | 3175.32 | 185.26 |

There had been additional assets of Rs. 866.26 crores at the beginning of the year in question and break-up is as follows :

(Rs. crores)

| | |
|-------------------------|--------|
| Hydel Generation assets | 631.45 |
| Transmission assets | 107.80 |
| Distribution assets | 102.53 |
| General assets | 24.48 |
| Total | 866.26 |

It appears that addition of Hydel generation asset of Rs. 631.45 crores was mainly in the Teesta Canal Project with a capacity of 67.5 MW. Objectors had raised their voices against admissibility of this high cost for the project which would give only an installed capacity of 67.5 MW on an investment of Rs. 755.84 crores and pleaded that the cost may not be conceded.

In response to these objections the WBSEB submitted that the cost was high due to various connected works like canals etc. and also due to delay in execution of the project and it was also submitted that the project was meant to provide much needed peaking capacity. It is found that the project is already completed and a detailed investigation may be necessary as to why there was cost over-run and to such an extent. In the absence of such investigation we keep this point

open for the WBSEB to justify the cost over-run and the directions has been given separately. Similarly there are other assets which may not be in use etc. for which direction has been given separately.

Provisionally we allow depreciation as under :

(Rs. in crores)

| | | |
|------|--|---------------|
| i) | For gross Block at the beginning of 1999-2000 | 139.59 |
| ii) | For Hydel generation Assets capitalized during 1999-2000 @ 3.5% average less amount reduced under para 6.7 | 11.60 |
| iii) | Other Assets capitalized in 1999-2000 @ 6.04% Total | 14.18 |
| | Total | 165.37 |

6.6.10 Interest and Finance Charges

The claim under this head is at Rs. 477.74 crores as per the following table :

(Rs. in crores)

| Sl. No. | Source | Amount out standing at the beginning of the year | Receipt | Payment | Out standing at the end of the year | Interest rates | Interest Payment | |
|---------|--|--|---------------|---------------|-------------------------------------|----------------|------------------|--------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | |
| 1. | LIC | 360.83 | 20.21 | 32.37 | 348.67 | 9.5 to 14 | 51.57 | |
| 2. | Power Finance Corporation | 41.00 | 169.42 | 8.68 | 201.74 | 10.5 to 16 | 20.25 | |
| 3. | Bonds | 443.87 | 100.12 | 42.08 | 501.91 | 7.5 to 12.75 | 56.03 | |
| 4. | REC | 170.01 | | 23.65 | 146.36 | 6.5 to 14 | 34.10 | |
| 5. | Banks | 1.54 | 1.76 | 0.62 | 2.68 | 12.75 to 20 | 0.45 | |
| 6. | Term Loans form Banks | 23.98 | | 12.08 | 11.90 | 13 to 14.5 | 2.80 | |
| 7. | WBIDFC | 70.01 | | 3.43 | 66.58 | 15 | 10.45 | |
| 8. | Government of India loan for mordenisation | 12.02 | | | 12.02 | 8 to 9.25 | 1.03 | |
| 9. | State Govt . loans | 1718.52 | 12.23 | | 1730.75 | 12.75 to 15.75 | 243.82 | |
| | Total | 2841.78 | 303.74 | 122.91 | 3022.61 | 14.34 | 420.50 | |
| 10. | Other Finance charges | | | | | | | |
| | Total Interest and finance charges | | | | | | | 477.74 |

6.6.10.1 The Consultants had examined the matters and found that the loans were from Public Financial Institutions, Banks, State and Central Governments and through Bonds and the interest rates were found by them to be reasonable. The Consultants made certain verification and found that the all loans and computation of interest was in order except for the loans from the REC. For this loans the figures worked out to Rs. 27.84 crores as against a projection of Rs. 34.10 crores asking for a reduction of Rs. 6.26 crores. As per our findings the interest charges on REC loan with projected repayment schedule and rate of interest will be around Rs. 20.36 crores. We, therefore, disallow Rs. 13.74 crores on this account. It is observed that the rate of interest on certain loans are higher than the rates presently prevailing in capital market . WBSEB should review the position and explore the possibility for going for cheaper options.

6.6.10.2 As regards other finance charges, the amount of Rs. 57.24 crores includes a sum of Rs. 2.83 crores which has been attributed to the interest on working capital and a sum of Rs. 8.66 crores as interest on arrears of pay. Following table may give the actuals for 1999-2000 and the projected figures for the year under consideration :

Other Finance Charges

(Rs. in crores)

| Sl.No. | Item | 1999-2000 Actuals | 2000-01 Projected |
|--------|-----------------------------|-------------------|-------------------|
| a) | Interest to consumers | 6.66 | 5.33 |
| b) | Interest on working capital | 2.70 | 2.83 |
| c) | Discount to consumers | 32.89 | 30.56 |
| d) | Interest on GPF | 4.55 | 4.44 |
| e) | Interest on arrears of pay | 10.56 | 8.66 |
| f) | Other Finance charges | 12.86 | 5.42 |

6.6.10.3 Out of the projected claims we find that we may admit Rs. 2.83 crores as interest on working capital as revenue expenditure, but an interest of Rs. 8.66 crores on arrears of pay may not be allowed as the interest had to be paid for certain difficulty on the part of the WBSEB and then liability may not be passed on to the consumers. The SEB had tried to justify the total claim and explained that payment of interest on arrears of pay had arisen as the Board was unable to pay arrears in time and agreed to pay an arrear of Rs. 100 crores after 3 years in November, 2001 along with an interest at a rate of 12%. The reasons for non-payment in time was that if the Board paid arrears in time some of the works in hand would have suffered resulting in poor quality of supply to the consumers. The reason does not appeal to us. This is also contradictory to the stand Board has taken while dealing objections against outstandings against certain consumers. The Board had taken the responsibility of delayed payment and we feel despite the above explanation that the liability for delayed payment may not be passed on to the consumers. We also do not allow projected discount to consumers Rs. 30.56 crores to be treated as other finance charges. Discount to be allowed to the consumer will be dealt with while framing the Tariff Structure.

It has further been observed that 4.44 crores has been claimed towards interest on GPF. Generally interest payable to GPF holders comes from the income from investment of GPF. What this projected payment for has not been explained. We, therefore, direct WBSEB to provide explanation in this regard in their tariff petition for 2002-03.

6.6.10.4 Considering the disallowances of interest and other finance charges as mentioned in para 6.6.10.1 and 6.6.10.3, the amount allowed, thus, comes to Rs. 424.78 crores towards Interest and Finance Charges as against the claim of Rs. 447.38 crores excluding rebate to consumers.

6.6.11 Capitalisation of Interest

The WBSEB claimed Rs. 174.56 crores as interest to be capitalised during the year 2000-01. Under the law and accounting procedure, interest on capital loans is capitalised with the cost of works so that the revenue account is not burdened and the cost of assets represents the correct cost. The WBSEB came up with a case that the capitalisation of interest was based on rate of interest capitalised to the sum of opening capital works in progress during the preceding 3 years and according to them this worked out to 3%. The Consultant had differed from this approach and had given a table showing the interest on capital liabilities and interest capitalised during the last 5 years as also the percentage of capitalisation. The following table represents the views of the Consultants.

Capitalisation of Interest

(Rs. in crores)

| Year | Interest on Capital | Interest |
|------|---------------------|----------|
|------|---------------------|----------|

| | Liabilities | Capitalised | Percentage |
|--------------|--------------------|--------------------|-------------------|
| 1995-96 | 191.19 | 115.07 | 60 |
| 1996-97 | 211.69 | 105.83 | 50 |
| 1997-98 | 259.87 | 116.24 | 47 |
| 1998-99 | 341.78 | 164.42 | 49 |
| 1999-2000 | 395.87 | 210.79 | 55 |
| Total | 1369.20 | 712.35 | 52 |

6.6.11.1 Based on the above the capitalisation of interest works out to about 52% of interest on capital liabilities. There is an increase in capital investment and in this view the above percentage may be considered reasonable to arrive at the interest to be capitalised and under this approach the sum under this head works out to Rs. 215.40 crores as against the projected claim of Rs. 174.56 crores.

According to WBSEB the interest to be capitalised varies from year to year and the historical percentage of interest capitalised to interest on capital loans may not be correct and the Teesta Canal project has been completed and commercialised in 1999-2000 and no other major capital works were being undertaken and accordingly, the level of capitalisation in the current year would be lower than the previous.

In terms of Electricity (Supply) (Annual Accounts) Rules 1985 which prescribed the Commercial Accounting system for the SEB, there is a detailed procedure for capitalisation of interest charges on funds utilised during construction stage. It was observed that WBSEB has not followed the prescribed procedure while giving the figures and details in the petition. The method as adopted by WBSEB as well as method suggested by the Consultant are not correct. Under these circumstances, the Commission has to assess the cost based on some rationale basis and therefore adopted the cost based on average of opening and closing work in progress, average rate of interest on loans which works out to Rs. 270.20 crores. Considering 90% of the investment in work in progress from loan (in absence of adequate internal resources), we allow the interest to be capitalized at Rs. 243.18 crores.

6.7 Net Fixed Assets and the Return

The WBSEB is State Electricity Board and is covered for the purpose of fixation of tariff by section 59 of the Electricity (Supply) Act, 1948 and they are entitled to earn a surplus of not less than 3% on net fixed assets in service at the beginning of the year. WBSEB has forwarded a claim for Rs. 41.44 crores calculated at the rate of 3% on the net fixed assets of Rs. 1381.40 crores at the beginning of the year 2000-01 and this has been given in a tabular form by our Consultants as under :

Net Fixed Assets at the beginning of the year 2000-01 and the return

(Rs. in crores)

| Sl. No. | Particulars | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-2000 | 2000-01 |
|----------------|--|----------------|----------------|----------------|----------------|------------------|----------------|
| 1. | Gross Assets at the beginning of the year | 1370.58 | 1571.64 | 1835.41 | 2063.87 | 2310.06 | 3176.32 |
| 2. | Less : Accumulated Depreciation at the beginning of the year | 523.26 | 628.78 | 749.32 | 881.80 | 1026.22 | 1176.46 |
| 3. | Net Assets | 847.32 | 942.86 | 1086.09 | 1182.07 | 1287.84 | 1999.86 |
| 4. | Less : Consumer contribution at the beginning of the year | 273.47 | 334.57 | 415.90 | 478.97 | 554.82 | 618.46 |

| | | | | | | | |
|----|-----------------------|--------|--------|--------|--------|--------|---------|
| 5. | Net Fixed Assets | 573.85 | 608.29 | 670.19 | 703.10 | 729.02 | 1381.40 |
| 6. | Surplus required @ 3% | 17.22 | 18.25 | 20.11 | 21.09 | 21.87 | 41.44 |

It appears that the figures for the year 1995-96 to 1999-2000 are the actuals and had been audited. The figures for 2000-01 at the beginning of the year had been verified although not audited. We accept the surplus required at Rs. 32.44 crores after deducting 9 crores (3% of Rs. 300 crores) as explained below.

It may be indicated here that certain objectors had raised objections on the high capital cost of Teesta Canal Hydro Project and on the question of admissibility of the high capital investment on this project. It appears that the WBSEB had explained the situation stating that the cost covered number of other connected items and the cost had escalated due to increase in IDC and the projected cost was taken up for the much needed peaking power. However, WBSEB could neither justify such abnormal high cost nor availability and actual generation to meet peaking requirement as well as whether it was the least cost option. The reasons for including the cost of other items in the fixation of tariff could not also be justified. As pointed out earlier, investment of Rs. 756 crores on a 67.5 MW Teesta Canal Project as well as reasons of substantial cost over-run needs detail justification. A detailed note along with justification should be given along with the tariff petition for 2002-03. Also WBSEB has not given any details of Assets not in use / useable or discarded and assumed all the above assets in service whereas some of units of power station are not in service. The 100 MW gas based stations are practically not utilized as pointed out earlier.

There has been addition in the Gross Assets for which detailed justification showing Techno-Economic benefits both from utility side and consumer side should have been given in the petition. We, therefore, direct WBSEB to give full details and justification along with Techno-economic benefit analysis on such capital addition / expenditure of major assets / works of last 4 years plus for 2000-2001 and review the Assets which are not in use or not economically used or not useable and take them out of Fixed Assets in service also. The report may be submitted with the tariff for 2002-03 along with such details of future years and then Commission will take a final view and if need be matter will be got more thoroughly investigated before giving appropriate directions. The Commission will like to again emphasis that it has to follow a transparent and non-discriminatory approach keeping in view the factors which will encourage economical use of resources, good performance, optimum investments etc. Pending this we reduce provisionally Rs. 300 crores which represent about 10% of gross Fixed Assets value for the purpose of Return at present which will be reviewed after receipt of report and note mentioned under this para.

6.8 Other Income (Non-operating Income)

According to the estimate of the SEB the non-operating income was Rs. 113.24 crores for the year 2000-01. The other related income such as meter rentals, recovery of revenue from theft of energy cases, wheeling and miscellaneous charges from consumers had been included under the head of revenue from sale of power. The revenue from existing tariffs was projected at Rs. 2315.36 crores which included the other related income of Rs. 56.72 crores and accordingly the income through tariff works out to Rs. 2258.66 crores only.

For the purpose of revision of tariff, it is desirable to take the income from tariff as such and we would include income from related items under the head "Other Income" for the purpose of clarity. The non-tariff income for the last 5 years was analysed by our consultants and set out in a tabular form as given below :

Non Tariff Income

(Rs. in crores)

| Sl.No. | Source | 1995 - 96 | 1996 - 97 | 1997 - 98 | 1998 - 99 | 1999 - 2000 | 2000 - 01 |
|--------|------------------------|-----------|-----------|-----------|-----------|-------------|-----------|
| 1. | Meter Rent | 23.32 | 24.67 | 29.26 | 34.49 | 36.91 | |
| 2. | Recovery form theft of | 0.01 | | 0.01 | 0.02 | 0.02 | |

| | | | | | | | |
|-----|---|-------|-------|-------|-------|--------|--------|
| | energy | | | | | | |
| 3. | Wheeling charges | 0.08 | 0.03 | 0.11 | 0.10 | 0.02 | |
| 4. | Miscellaneous charges form consumers | 3.37 | 2.77 | 3.48 | 3.29 | 4.42 | 65.70 |
| 5. | Interest on staff loans and advances | 0.24 | 0.31 | 0.41 | 0.46 | 0.51 | |
| 6. | Income form Investment | 0.03 | | 0.09 | 0.24 | 0.37 | |
| 7. | Delayed payment charges | 6.70 | 20.26 | 26.22 | 17.96 | 197.52 | 85.10 |
| 8. | Interest on advances to suppliers and contractors | | 0.03 | 0.01 | | 0.01 | |
| 9. | Interest form Bank | | | | 0.03 | 0.04 | |
| 10. | Income form trading | 2.25 | 1.83 | 2.45 | 1.79 | 1.34 | 1.88 |
| 11. | Income form staff welfare | 0.04 | 0.04 | 0.04 | 0.02 | 0.08 | |
| 12. | Miscellaneous receipts | 6.57 | 5.24 | 14.34 | 9.48 | 4.81 | |
| | Total | 42.61 | 55.18 | 76.42 | 67.88 | 246.05 | 178.94 |

From the above table it is found that an amount of Rs. 197.52 under delayed payment charges during 1999-2000 included a sum of Rs. 121.14 crores accrued Let Payment Surcharge (LPSC) on the total amount outstanding upto 31.3.2000 not paid during 1999-2000. The Consultants have recommended that the projected non-tariff income of Rs. 178.94 crores for the year 2000-01 may be accepted. However, it was observed that other income during the previous year was Rs. 204.69 crores as per accounts excluding meter rent etc. The outstanding debtors on 31.3.2000 is about 1791 crores and therefore the logic of reducing Delayed Payment charges is not justified. If we take delayed payment charges at last year level then other income will be about Rs. 291 crores. We, however, retain other income at previous year level of Rs. 246.05 crores including meter rent etc.

6.9 Revenue Requirement

On the basis of the analysis of various items of expenses the Revenue Requirement of WBSEB for the year 2000-01 is summarized in the following table :

Revenue Requirements - Claimed by WBSEB, Analysed by ASCI and Estimated by the Commission

(Rs. in crores)

| Sl. No. | Item of expense | As claimed by WBSEB | As analysed by ASCI | As estimated by the Commission |
|---------|---|---------------------|---------------------|--------------------------------|
| 1. | Purchase of power | 1851.69 | 1907.81 | 1713.41 |
| 2. | Generation charges | 379.56 | 306.31 | 302.53 |
| 3. | O & M (R & M) costs | 97.61 | 97.61 | 93.47 |
| 4. | Employees costs | 427.75 | 427.75 | 420.38 |
| 5. | Administrative and general Charges | 53.66 | 53.66 | 50.05 |
| 6. | Less Capitalized expenses | (55.49) | (80.28) | (81.70) |
| 7. | Interest on State Government loans | 243.82 | 243.82 | 424.78 |
| 8. | Interest on other loans and finance charges | 203.56 | 219.00 | |
| 9. | Less interest capitalized | (174.56) | (215.40) | (243.18) |

| | | | | |
|-----|---|----------|----------|----------|
| 10. | Depreciation and related Costs | 185.26 | 185.26 | 165.37 |
| 11. | Provision for doubtful debts | 9.34 | 9.34 | 2.74 |
| 12. | Surplus required | 41.44 | 41.44 | 32.44 |
| 13. | Total Revenue Requirement | 3263.64 | 3196.32 | 2880.29 |
| 14. | Less Other income including meter rent etc. | (178.94) | (178.94) | (246.05) |
| 15. | Revenue required from sale of power (13-14) | 3084.70 | 3017.38 | 2634.24 |
| 16. | Subsidy from Government | 350.00 * | | 50.00 |
| 17. | Net Revenue from consumers | 2734.70 | | 2584.24 |

Note : 1. * Provisional . Reduced to Rs. 50 crores subsequently by the WBSEB on the decision of the Government.

2. Figures of WBSEB regrouped / re-arranged wherever necessary.

We are aware of the fact that after the tariff revision petition were heard the WBSEB have handed over its Bandel and Santaldih power plants to WBPDCCL during 2001-02. WBPDCCL may come up for tariff revision of its power plants for the year 2002-03 including these two power plants, but we are recording instant order in respect of the Bandel and Santaldih plants of WBSEB and the rate is to remain effective till the same are revised upon a proper application.

With the aforesaid revenue requirement and the total sale of power as calculated earlier we could reach the average cost of supply as per the following calculation :

Net revenue to be realized from consumers : Rs. 2584.24 crore
 Net energy available for sale : 9923 MU
 Sale of energy as assessed by WBSEB : 8497 MU
 Unaccounted energy after T & D loss as approved by the Commission : 1426 MU
 Cost to be reduced from Net Revenue for the above unaccounted energy at average of: 325.00 crore estimated LT/MV metered supply rate
 Balance Net Revenue to be realised : 2259.24 crore
 Average Net tariff to be realized p/kwh : 265.89
 Average existing net tariff assessed p/kwh : 260.66
 Increase from existing p/kwh : 5.23
 Say 2.01% rounded to 2%

We are aware that the Board is supplying power to a large number of consumers as unmetered supply or supply through defective meters and sales figures and revenue are mainly assessed by WBSEB and may not be fully realistic and correct as has been also observed by the Commission.

The year 2000-01 is already over we, therefore, are not inclined to fix any new tariff structure, but retain the existing tariff structure. We, however, direct that in view of the above, the Board shall realize this shortfall of 2% from all the consumers in same proportion over the existing total tariff. The realization is to be made in five equal monthly instalments and the amount are to be shown separately in the bills for information of the consumers. The WBSEB may also intimate the Commission the amount billed under this direction in March 2002.

CHAPTER - 7 : POINTS FOR CONSIDERATION FOR THE YEAR 2001-02

7.1 So far the legal objections are concerned the findings in Chapter 5 will cover the current year also and we need not reiterate them.

We may, however, take up the other points for the instant year in the same manner as we have done for the year 2000-01 in Chapter 6 of this order.

7.2 As indicated in paragraph 6.2 of this order the major heads for consideration would be (i) Projected energy sales for 2001-02, (ii) T & D loss, (iii) Energy purchases and supply options, (iv) Generation (Fuel) and Power purchase costs, (v) Fixed costs, and (vi) Determination of return based on net fixed assets for determination of Revenue requirements for the year.

7.3 Energy sales for the year 2001-02

As per filing, the WBSEB estimated their energy sales for this year at 9196 MU and assessed the category-wise sales even though there is large quantity of unmetered supply and supply through defective meters. For reasons parallel to those given in paragraph 6.3 and connected ones, in the absence of reliable figures, we have to rely on the assessed sales as submitted by the WBSEB in their tariff petition for the present year also. However, we have also assessed the energy available for sales.

7.4 T & D loss

On this aspect a detailed discussion has been made in paragraph 6.4 and the connected paragraphs and we have indicated that for the year 2000-01 the total T & D loss was admitted to the extent of 30% only excluding Bulk supply to Licencee with a clear direction of reduction by 21/2% every year and accordingly the admissible T & D loss for the current year would be 27.5%.

7.5 Energy Balance :

7.5.1 The energy requirement is to be met partly from own generation and partly from various sources. The projected generation at the generating stations of the WBSEB (as on the date of filing) and the projected purchase made by WBSEB for the current year and as assessed by the Commission are summarized in the following table :

Energy Generation & Purchases Projected for 2001-02

| Sl. No. | Source | Energy(MU) As Projected by WBSEB | Energy (MU) As assessed by Commission |
|---------|------------------------|----------------------------------|---------------------------------------|
| 1. | Energy required | 14369 | 14369 |
| 2. | Generation (ex - bus) | | |
| | i. Bendel TPS | 1958 | 1969 |
| | ii.Santaldih | 1305 | 1342 |
| | iii.Kashba GTS | 5 | 5 |
| | iv.Haldia GTS | 5 | 5 |
| | v.Hydel stations | 370 | 500 |
| | Total generation | 3643 | 3821 |
| 3. | Purchases | 10726 | 10548 |
| | i.WBPDCL | 6310 | 6842 |
| | ii.Chukka | 600 | 600 |
| | iii.NEPCO | 200 | 200 |
| | ivDPL | 450 | 849 |
| | v.DPSCL | 160 | 156 |
| | vi. NTPC | 1458 | |
| | a)Farakka | 138 | |
| | b)Kohalgaon | | |

| | | |
|-----------------------------------|-----|--|
| vii. Ranjit HEP | 60 | |
| viii. DVC | 750 | |
| ix. Government of Sikkim / Gridco | | |
| x. Bakreswar | 600 | |

The total power requirement from Bakreswar, NTPC-Farakka, Kahalgaon, Ranjit and Govt. of Sikkim is assessed at 1901 M.U. The requirement of energy from these sources has not been made separately in view of non-availability of full details of monthwise requirements, availability from other sources, peak load requirements, radial load, cheaper sources, other system constraints etc. The total requirement for Purchase has been assessed and included which WBSEB may purchase on merit order based on its requirement subject to above constraints.

WBSEB is directed to explore the possibility of more hydroelectric energy from Govt. of Sikkim, Gridco etc. as it is cheaper.

While computing the merit order, price per unit shall also include FSC and Miscellaneous charges etc. in case of drawal from thermal sources.

7.5.2 The energy requirement and energy supply plan may be indicated in the following table.

Energy supply plan

| | | |
|---|----------|---------|
| Own generation (ex-bus bar) | | 3821 MU |
| Power purchase (Ex-bus total) | 10548 MU | |
| Energy available | 14369 MU | |
| T & D loss at 27.5% excluding | | |
| Bulk supply to Licencees | 3621 MU | |
| Energy available for sales to consumers | 10748 MU | |

7.6 Expenditure Analysis

7.6.1 To arrive at the revenue requirement we are required to look into the following items of expenditure :

- a) Fuel costs
- b) Power purchase costs
- c) Employees costs
- d) Administrative and General expenses
- e) Repair and Maintenance costs
- f) Interest and Financing charges
- g) Depreciation

All these items have been looked into and the analysis on these points for the past year has also been kept under consideration.

7.6.2 Fuel Cost

7.6.2.1 As per projection by the WBSEB for the instant year the energy generation and other connected information are given in the table below.

| Station | Generation (MU) | PLF (%) | Auxiliary Consumption (MU) | Energy sent out (MU) |
|---------|-----------------|---------|----------------------------|----------------------|
| Bandel | 2200 | 47.38 | 242 | 1958 |

| | | | | |
|-----------|------|-------|-----|------|
| Santaldih | 1500 | 35.67 | 195 | 1305 |
|-----------|------|-------|-----|------|

As per projection the PLF of Bandel and Santaldih stations were below the standard PLF set out. We had expressed our views earlier that with the plants availability ranging between 60-70% it was possible to improve the PLF to 60% during the current year. However, to give the Board some time to properly prepare plan and control their generation and purchases in an economical manner, the Commission has adopted the PLF as projected by the Board for this year as a special case,

7.6.2.2 Fuel Consumption

It is stated that the thermal stations of WBSEB have no means of weighing of coal fed into the boilers. Accordingly, they had assessed coal consumption on the basis of coal receipts by wagons as per railway receipts and coal was sent to the power stations on stores issues vouchers. It is clear that this procedure could not reflect the actual coal consumption and the heat rate worked out from this calculation may touch an abnormal height. Moreover, it is evident that transit loss can't be ascertained by WBSEB. WBSEB have neither indicated the grade slippage nor they have furnished the price list of coal and oil companies. They have not even furnished the details of computation of weighted average coal price including freight charges. Hence, Commission directs WBSEB to submit relevant price list of coal and oil along with above details during submission of petition for Fuel Surcharge. Provisionally their rates for coal and oil is accepted by Commission for arriving at cost of Fuel.

Commission also directs WBSEB to install "In-motion Weigh Bridge" at the entry point to measure the quantum of coal and arrange joint sampling for assessment of grade slippage in order to enable Commission to arrive at the exact fuel cost for thermal generation of WBSEB for FY 2002-03 and onwards.

According to the projection by the WBSEB the adopted heat rate and oil consumption and auxiliary consumption for the current year are as follows :

| Station | Heat rate Kcal/Kwh | Oil consumption MI/Kwh | Auxiliary Consumption (%) |
|-----------|-----------------------|---------------------------|------------------------------|
| Bandel | 3158 | 5 | 11 |
| Santaldih | 3465 | 2.5 | 13 |

WBSEB suggested revised norms of 2869 and 2933 k.cal/kwh for Bandel and Santaldih for 2000-2001.

We may stick to the norms for the instant year also as per following table :

| Station | Heat rate Kcal/Kwh | Oil consumption MI/Kwh | Auxiliary Consumption (%) |
|-----------|-----------------------|---------------------------|------------------------------|
| Bandel | 2800 | 3.7 | 10.5 |
| Santaldih | 2900 | 2.5 | 10.5 |

WBSEB should try to reduce oil consumption for Bandel TPS at 3.7 ml./kwh as has been achieved by some other utilities. However, if they can justify excess oil consumption upto 5 ml./kwh at Bandel, Commission may consider the difference of such excess oil consumption during the FCA claim for the relevant year.

7.6.2.3 Transit Loss of Coal

For the past year we had conceded only 1% transit loss as a reasonable one and we stick to that percentage for the instant year also and this loss would be taken into consideration while calculating the fuel cost.

7.6.2.4 Fuel Prices

The weighted average fuel price of the two thermal stations of WBSEB for the year 2001-02 as projected by WBSEB are follows and in line with our decision on this point as mentioned above and we accept provisionally the projected price.

| Station | Coal prices (Rs./Mt.) | Fuel-Oil price (Rs.KL) |
|-----------|-----------------------|------------------------|
| Bandel | 1667.59 | 14048.75 |
| Santaldih | 1591.55 | 13708.51 |

7.6.2.5 Fuel Costs

Upon the above mentioned normative parameters for fuel consumption etc. and transit loss as allowed by us, the fuel consumption and the costs for the year 2001-02 are given below in the following tabular form :

| S.No. | Item | Bandel | Santaldih |
|-------|--|----------|-----------|
| 1. | Energy generation (MU) | 2200 | 1500 |
| 2. | Auxiliary consumption (10.5%) (MU) | 231 | 157.5 |
| 3. | Energy (Ex-bus) (MU) | 1969 | 1342.5 |
| 4. | Heat rate Kcal/Kwh | 2800 | 2900 |
| 5. | Total heat required Mkal (4x1) | 6160000 | 4350000 |
| 6. | GCV of oil (Kcal/Iit) | 10278 | 10400 |
| 7. | Specific oil consumption ml/kwh | 3.7 | 2.5 |
| 8. | Oil consumed (KL) (7x1) | 8140 | 3750 |
| 9. | Average price of oil (Rs./KL) | 14048.75 | 13708.51 |
| 10. | Cost of oil (9x8) (Rs. crores) | 11.44 | 5.14 |
| 11. | Heat generated from oil (6x8) (M.Kcal.) | 83663 | 39000 |
| 12. | Heat generated from coal (5-11) (M.Kcal)) | 6076337 | 4311000 |
| 13. | GCV of coal Kcal/Kg (weighted average) | 5010.1 | 5211.3 |
| 14. | Coal required (12/13)MT | 1212818 | 827241 |
| 15. | Coal including transit loss of 1% (MT) | 1225069 | 835597 |
| 16. | Weighted average price of coal (Rs/MT) including railway freight | 1667.59 | 1591.55 |
| 17. | Cost of coal (16x15) (Rs. crores) | 204.29 | 132.99 |
| 18. | Total fuel costs (Rs. crores) (10+17) | 215.73 | 138.13 |
| 19. | Energy (variable) cost Ps/Kwh (18/3) (Ex-Bus) | 109.56 | 102.89 |

The table above gives the costs at the thermal stations and we are to add the fuel cost for the gas based stations allowed by Commission at Rs. 2.50 crores and the total fuel costs for thermal and gas stations work out to Rs. 356.36 crores.

7.6.3 Power Purchases

7.6.3.1 We had in chapter 6 given our analysis on the projected figures of energy generation and purchase and similar reasoning would apply for the figures of energy generation and purchase.

| Sl.No. | Source | As proposed in tariff filings | | As allowed by the commission | |
|--------|--------|-------------------------------|------------|------------------------------|------------|
| | | Energy (MU) | Total cost | Energy | Total cost |

| | | | (Rs.crores) | (MU) | (Rs.crores) |
|----|---|-------|-------------|-------|-------------|
| 1. | Chukka | 600 | 78.60 | 600 | 78.60 |
| 2. | NEEPCO | 200 | 25.00 | 200 | 25.00 |
| 3. | DPL | 450 | 77.20 | 849 | 144.80 |
| 4. | WBPDC - Kolaghat | 6310 | 1023.10 | 6842 | 977.68 |
| 5. | DPSCL | 160 | 28.55 | 156 | 29.88 |
| 6. | Bakreswar, NTPC (Farakka and Kahalgaon), DVC, Ranjit, Govt. of Sikkim, Gridco | 3006 | 779.18 | 1901 | 430.00 |
| 7. | Total Purchase (1 to 6) | 10726 | 20011.63 | 10548 | 1685.96 |
| 8. | Transmission costs | | 42.76 | | 40.00 |
| 9. | Total cost of power purchase(7+8) | | 2054.39 | | 1725.96 |

The projected cost under this head for the instant year is Rs. 465.35 crores. In view of the analysis done by us in para 6.6.4 and directives given therein, we allow 6% average increase in employees' cost over the amount allowed for the year 2000-01 and the amount under this score comes to Rs. 445.60 crores.

7.6.5 Operation & Maintenance Expenses

The projected cost for this year is Rs. 108.06 crores. We allow 6% increase over the expenses allowed last year. The amount allowed under this head is, thus, Rs. 99.08 crores.

7.6.6 Administration and General Expenses

We have assessed the expenditure on this count for the year 2000-01 at Rs. 50.05 crores. We feel that Administration and General expenses for the instant year should be limited to Rs. 53.05 crores, thus allowing 6% average increase over the previous year against their claims for Rs. 60.19 crores.

7.6.7 Provision for Doubtful Debts

We have expressed our views in regard to provision for Doubtful Debts in para 6.6.7 and some directives have been given therein. We feel WBSEB should gear up its process of billing and collections including arrears so that the requirement of provision can be avoided. It has also been observed that hardly any Bad-debt has been written off. To allow some more time to settle and adjust the disputed claims etc., if any, we are admitting the projected provision of Rs. 9.34 crores this year as a special case. However, any such provision in future will be allowed only on the merits of justifications to be forwarded by WBSEB.

7.6.8 Capitalisation of Expenses

WBSEB has not provided proper information and details of capital works to be executed during the year and costs to be incurred thereon. In the absence of all required information and proper assessment in this regard, we are retaining expenses to be capitalized in 2001-02 at previous year's level of Rs. 81.70 crores as against Rs. 65.34 crores projected by WBSEB.

7.6.9 Depreciation

Depreciation has been allowed at Rs. 193.72 crores against Rs. 204.22 crores claimed by WBSEB on the basis of their projected capitalization of assets in 2000-01 less Rs. 10.50 crores disallowed last year and discussed in para 6.6.9.

7.6.10 Interest and Finance Charges

Interest and Finance charges claimed by WBSEB in the Revenue Accounts for the year 2001-02 are as under :-

(Rs. in crores)

| | |
|---|--------|
| Interest payable on State Government loan | 331.25 |
| Interest on other loans | 180.18 |
| Finance charges | 59.97 |
| Total | 571.40 |
| Less : Interest to be capitalized | 167.42 |
| Net amount to be charged to Revenue A/cs | 403.98 |

WBSEB have not given loanwise details of loans taken from various sources, detail basis of calculations of interest payable to different sources, monthwise programme for fresh borrowings and repayment of loans and also the purpose of borrowings. The rates of interest has also not been mentioned in certain cases. It has also been noted that the average rate of interest as shown on the Government loan is abnormally high. In the petition the fresh borrowings from the Government has been shown Rs. 73.36 crores whereas the claims for interest has increased by Rs. 87.45 crores over the previous year and the average rate of interest on total outstanding loan as at 31.3.2001 works out to around 18.5% which does not appear to be correct. Moreover WBSEB subsequently has claimed Rs. 82.18 crores as additional interest on conversion of interest upto 31.3.2001 into soft loan of Rs. 492.54 crores. Though WBSEB has claimed interest on this loan @ 14.5% no rate has been mentioned in the Government order for this soft loan.

The projected capitalization of the interest through capital works-in-progress or direct procurement of assets is also not based on rational norms as pointed out earlier in para 6.6.11. WBSEB is directed to give with its next Tariff Petition for 2002-03 a statement showing loanwise details of loans from various sources, rate of interest, purpose of each loan specifying whether it is in Revenue account or in Capital account, rebate admissible, if any, repayment terms etc. along with the supported copies of documents.

However, in the absence of proper data, the Commission has allowed provisionally the interest and finance charges as under :-

(Rs. in crores)

| | |
|----------------------------------|--------|
| Interest (Net of capitalization) | 313.93 |
| Other Finance Charges | 24.36 |
| Total | 338.29 |

The interest on REC loans has been reduced by Rs. 10.91 crores, interest on arrears salary Rs. 5.05 crores and discount to consumers Rs. 30.56 crores as per reasons given for last year.

7.6.11 Net Fixed Assets and Returns

WBSEB claimed Rs. 43.74 crores towards surplus @3% on the Net Block of assets at the beginning of the year reduced by consumers' contribution. We admit the return with the following adjustments.

(Rs. in crores)

| | |
|---|-------|
| Amount claimed | 43.74 |
| Less : Return @ 3% on Rs. 300 crores towards cost over-run in Teesta Canal project and on account of other assets not in use as per reasons given last year | 9.00 |
| | 34.74 |
| Add : 3% Return on Depreciation disallowed in | 0.60 |

2000-01 i.e. 3% on Rs. 19.89
crores

35.34

7.6.12 Other Income

Other income projected by WBSEB is Rs. 152.48 crores which includes Rs. 69.76 crores towards meter rentals and other related income. The Commission has assessed the same at Rs. 174.63 crores as per the basis adopted in 2000-01 subject to adjustment for reduction of Rates of Delayed payment surcharge during 2001-2002.

7.6.13 Revenue Requirements

Statement of Revenue Requirements - 2001-02

(Rs. in crores)

| Sl. No. | Item of expense | As claimed by WBSEB | As admitted by the Commission |
|---------|---|---------------------|-------------------------------|
| 1. | Purchase of power | 2054.39 | 1725.96 |
| 2. | Generation charges | 412.57 | 356.36 |
| 3. | Operation & Maintenance cost | 108.06 | 99.08 |
| 4. | Employees' costs | 465.35 | 445.60 |
| 5. | Administration and general Charges | 60.19 | 53.05 |
| 6. | Less : Expenses capitalized | (65.34) | (81.70) |
| 7. | Interest (Net of capitalization) | 344.01 | 313.93 |
| 8. | Other finance charges (excluding discount to customers) | 29.41 | 24.36 |
| 9. | Depreciation | 204.22 | 193.72 |
| 10. | Provision for doubtful debts | 9.34 | 9.34 |
| 11. | Surplus required | 43.74 | 35.34 |
| 12. | Total Revenue Required (1 to 11) | 3665.94 | 3175.04 |
| 13. | Other income (including meter rental etc.) | 152.49 | 174.63 |
| 14. | Revenue required from sale of power (12-13) | 3513.45 | 3000.41 |
| 15. | Subsidy from Government of West Bengal | 431.25 * | 100.00 |
| 16. | Net Revenue from customers (14-15) | 3082.20 | 2900.41 |

* Subsidy from the Govt. of West Bengal was provisionally projected Rs. 431.25 crores which has been subsequently reduced to Rs. 100 crores by the WBSEB on the decision of the Government.

7.6.14 The Commission has observed important deficiencies, inaccuracies, incomplete/absence of data, documents, information etc. in the petition to help the Commission in fixing the tariff in transparent and appropriate manner. The Commission has in this regard given directions in certain cases at appropriate places. Since this is the first year of Regulatory regime where tariff is to be fixed in a transparent way by the Commission after involving appropriately all the stake holders, the Commission has taken a lenient view but the Commission will like to caution the Petitioner in this regard and expect that tariff petition for 2002-2003 will be more appropriate in the proper formats along with all the necessary, required and relevant details, facts, figures, data which should be proper, complete and correct along with supporting documents.

CHAPTER - 8 : PRINCIPLE OF TARIFF STRUCTURE

8.1 In our earlier orders on tariff petitions for other utilities, we had indicated our view on the concept of a two-part tariff. It is an accepted norm in the power sector to follow a two-part system for pricing the supply of electricity. Under this system, a consumer is liable to pay a demand charge on the KVA supply and also an energy charge for the energy consumed to cover the various costs of supply like purchase of power, cost of generation and cost of transmission & distribution. This demand charge should normally be proportionate of the fixed charge of the system.

8.2 It is felt that for efficient and economic use of electricity, we should progressively shift towards a two-part tariff system (demand and energy charge) for all the consumers. We intend to introduce Fixed Charges gradually and enlarge the concept of Minimum charges. Normally, the fixed charge should be proportionate to the contract demand / maximum load of the consumers; but we are of the view that initially we may introduce a fixed charge on per consumer basis till we get full reliable details from the utility about the connected load data of each individual / class of consumer. It may be indicated here that the introduction of the fixed charge will not change the overall rates of the consumers at normal drawal. We direct the WBSEB to furnish the details of connected load / maximum demand of each consumer belonging to the above category of consumers.

8.3 A point has arisen if a demand charge could be claimed even for the period when no supply was made. It is pointed out that DVC follows a practice not to claim any demand charge for the period when there was no supply. It is felt that the WBSEB, if it has not already changed over, should rectify its practice and should not make a demand charge for a period when there is no supply for the fault of the WBSEB or their system.

8.4 The Commission also observed that there is presently substantial surplus power during off-peak hours due to which some of the even cheaper power is not absorbed in the system. There is a big difference between peak and off peak requirements of power and it is also contributed by Domestic consumers who are not on TOD tariff. It is, therefore, necessary to give more attention to improve the Load management so that consumers find the scheme attractive to stagger part of their peak demand. One of the methods to achieve some success in this area is to give better incentives for off peak consumption. This is particularly important keeping in view the huge difference in rates between availability of cheaper off peak power and import of costlier power. It is contented by WBSEB that they have to import some amount of costlier power even during off peak hours to get peaking requirements. The Commission, though, do not fully agree with the WBSEB on this issue and have given appropriate directions separately, but have tried to rationalize some incentives to enable the consumers to absorb more off peak power and less power in peak time. The Commission is of the opinion that ultimately it can lead to better energy management including cheaper cost in view of the position stated above.

8.5 Although the Commission is of the view that there should not be any artificial classification between two consumers enjoying power at the same voltage, we propose to maintain mainly the existing classes of consumers except some rationalization for H.T. categories as no abrupt change is thought prudent. In their next tariff petition, the utility may come up with suggestion of reducing the classes so that the matter may be settled after open hearing and after taking into consideration the views of all classes of consumers.

8.6 It is found from the figures given by the WBSEB that certain consumers are getting power at a rate much lower than certain others apart from unmetered supplies. In case of irrigation where metered supply is billed at 183 p./kwh but unmetered supply is given on flat demand charges which as per consumption assessment of WBSEB works out to 55 p./kwh and now fixed charge sought to increase to give average rate of 129 p./kwh. In the absence of meters how these assessments have been made is not clear and open to various conclusions. The concession given to one class is compensated by charging more from the other class, mainly, the industrial consumer of higher consumption. It is found that the industries, HT commercial consumers, certain categories of LT domestic and commercial consumers are taxed more by way of a higher tariff only to give a relief to other consumers. The reason behind it may be to make available

electricity to the weaker section or as a public policy to certain section of the consumers for whom part of the subsidy is / should be provided by the Government. But if in achieving that goal, the concession goes to others who may not fall in these categories or if it affects the very existence of the industries, a second thought must be given to these system of what is known as the cross subsidy. Looking from the point of view of the industries, electricity is one of the major factors of expenditure and that tells upon the costs of their product. The Commission is aware of the power situation in West Bengal and has been informed about the hardship faced by the industries in having the electricity at a rate much higher than the average rate only to subsidise cheaper supply to certain other classes of consumers. For industries, electricity is one of the major factors for expenditure. They are to face harder competition from foreign products as a result of globalisation and keeping in view the industrial situation in West Bengal, all steps are to be taken within the frame-work of law to see that for a forbidding price of electricity the industries may not be compelled to close down or to be taken away from West Bengal. We also expect industries to be more efficient in the use of energy and the Commission is of the view that suitable incentives be provided for efficient use so that more and more industries try to achieve that which is in the interest of all. The Commission is of the view that while it is proper to allow certain concession to the life line consumers, such concession should remain to them only and that too at a level that even they may not get power at a rate lower than the marginal cost of supply. The spirit of the ERC Act is to achieve uniformity of tariff based on cost of supply and, barring the life line consumers and others who are to be subsidized due to public policy (the cost of which is to be borne by the Government as per ERC Act), the Commission would therefore make attempt to fix a rate for the consumers near the cost of supply in a phased manner.

8.7 Upon these considerations, we feel that the tariff structure that followed would be the first step towards rationalisation of tariff on commercial basis to give a signal to the consumers that they are to pay for the benefit they enjoy and also to send signal to the utility that they have a duty to the consumers to supply constant and steady power by improving operational efficiency.

CHAPTER - 9 : TARIFF STRUCTURE FOR 2001 - 02

9.1 The Tariff schedule for the year 2001-2002 and other associated conditions are given below :-

| Category/Sub-category of Consumers | Demand Charge Rs./KVA/month | Energy Charge p/kwh (Gross Rate) |
|---|--|---|
| Low and Medium Voltage Consumers | | |
| Domestic Lokdeep | | Pl. see below i(b) |
| Rate A : | | |
| Dm-R | First 75 units | 155 |
| | Next 105 units | 175 |
| | Next 120 units | 225 |
| | Next 600 units | 260 |
| | Next 150 units | 500 |
| | Next 300 units | 500 |
| | Above 1350 units (for total units consumed) | 500 |
| Dm-R | First 75 units | 160 |
| | Next 75 units | 185 |
| | Next 150 units | 230 |
| | Next 150 units | 270 |
| | Next 450 units | 290 |
| | Next 150 units | 500 |
| | Next 450 units | 500 |

| | | |
|------|---|-----|
| | Above 1500 units (for total units Consumed) | 380 |
| Dm-L | As per appropriate rates above | |

| Category/Sub-category of Consumers | Demand Charge Rs./KVA/month | Energy Charge p/kwh (Gross Rate) |
|---|---|----------------------------------|
| Non-Domestic/Commercial Rate A : | | |
| Cm-R | First 180 units | 235 |
| | Next 120 units | 345 |
| | Next 150 units | 370 |
| | Next 450 units | 410 |
| | Next 450 units | 500 |
| | Above 1350 (for total units consumed) | 410 |
| Cm-U | First 180 units | 240 |
| | Next 120 units | 360 |
| | Next 150 units | 380 |
| | Next 450 units | 420 |
| | Next 600 units | 500 |
| | Above 1500 units (for total units consumed) | 420 |
| Cm-PU | | |
| Municipality/Corp. area | | 210 |
| Non-Municipality/Non-Corp. area | | 200 |

Industrial Rate B :

| | | |
|-------|---|-----|
| I-R * | First 500 units | 235 |
| | Next 1500 units | 360 |
| | Next 1500 units | 400 |
| | Above 3500 units (for total units consumed) | 350 |

| Category/Sub-category of Consumers | Demand Charge Rs./KVA/month | Energy Charge p/kwh (Gross Rate) |
|------------------------------------|---|----------------------------------|
| I-U * | First 500 units | 245 |
| | Next 1500 units | 380 |
| | Next 1500 units | 410 |
| | Above 3500 units (for total units consumed) | 370 |

* Fixed charge of Rs. 10/HP/month as existing will continue.

Rate B (II) : PWW

190
180 for Crematorium

Rate C - Irrigation :

| | | |
|-----------|----------------|--------------------|
| | a) Metered | 183 |
| | b) Un-Metered | Pl. see below i(f) |
| STW in NB | February - May | |

| | |
|-------------------------------------|-------------------|
| | June - September |
| | October - January |
| STW in other districts | February - May |
| | June - September |
| | October - January |
| Submersible pump in NB | February - May |
| | June - September |
| | October - January |
| Submersible pump in other districts | February - May |
| | June - September |
| | October - January |

Rate D

Metered / Unmetered
Incandescent lamp
Mer, Vapour & Flures

150

| Category/Sub-category of Consumers | Demand Charge Rs./KVA/month | Energy Charge p/kwh (Gross Rate) |
|---|------------------------------------|---|
| Rate E : | | |
| a | 180 | 195 |
| b | 180 | 330 |
| c | 180 | 330 |
| Rate S : | | |
| b | 180 | 270 |
| c | | 330 |
| f | 180 | 195 |
| Rate F | 180 | 320 |
| Rate F(a) | 180 | 195 |
| Rate S : | | |
| d | | 300 |
| g | | 250 |
| Rate H | 180 | 305 |
| Rate T : | | |
| a | 180 | 305 |
| b | 180 | 275 |
| Rate S(e) | | 150 |
| Rate G : | | |
| c - CESC | 180 | 210 |
| d - CESC | | 120 |
| e - 132 KV supply to DPSCL | 180 | 210 |
| a - Supply to WBREDC at 11 KV | | 150 |

General

i. (a) The slab of consumption under Rate 'A' is based on existing quarterly billing cycle.

(b) The monthly fixed charge rate under Lokdeep will be Rs. 20 per month and is applicable where consumption is less than 50 units per quarterly billing cycle. The consumption of 50 units and above will be charged according to applicable Rate under 'A'.

(c) The existing Fuel charge stand merged in basic tariff. All consumers based on their consumption / assessed consumption will pay Fuel and Power Purchase Cost Adjustment (FPPCA), if any to the extent permissible under this order.

(d) The Rate under category E(b), F & H will be subject to TOD tariff. The adjustment on energy charge will be applicable as given in clause (ii) below. The consumer in category E(a), E(c), S(b), S(d), S(g) may also opt for TOD tariff at their discretion. They may be provided TOD meters on priority.

(e) There is no change in the rates of Fixed and Demand charges except under Lokdeep and Rate C(b).

(f) We have already commented earlier on assessment of consumption under category C(b) and the rate charged for metered and unmetered supply. We direct that net charges may be enhanced and fixed on the basis of 50% of the net metered rate after realistic re-assessment of the consumption of energy in this category.

(g) The Rate - H (EHV) will be applicable where the maximum monthly demand at 66 KV or 132 KV or 220 KV is 7500 KVA and above.

ii. TOD tariff :

| From | To | Energy charge |
|---------|---------|---------------------|
| 6 A.M. | 5 P.M. | Normal Rate |
| 5 P.M. | 10 P.M. | 136% of Normal Rate |
| 10 P.M. | 6 A.M. | 70% of Normal Rate |

iii. Power Factor Rebate /

Surcharge

(For Industrial consumers only)

| | |
|-----------|---|
| Rebate | : @ 0.5% on the energy charge for every 1% increase in the P.F. above 92% subject to a ceiling of 2%. |
| Surcharge | : @ 0.5% on the energy charge for every 1% fall in the P.F. below 85% subject to a ceiling of 2.5%. |

iv. Billing Demand : Demand charge for any billing cycle shall be based on maximum KVA demand recorded between 6 A.M. and 10 P.M. of the day or 75% of average maximum demand of preceding 12 months, whichever is higher unless the demand itself has been got re-sanctioned downwards. In such a case demand charges will be levied with reference to revised demand. No penal demand charge shall be applicable during off peak hours even if drawl exceeds contract demand upto 20% except when load restrictions imposed by WBSEB are in force.

v. Demand charge shall not be payable by the consumer for the periods when the load of a consumer is totally shed / interrupted for the fault of the WBSEB or their system.

vi. Load Factor Rebate / Penalty

The load factor rebate to the existing consumers is revised to as under :-

- where monthly Load Factor is between 55% and upto 70% - a rebate of 10 paise per unit.
- where monthly load factor is more than 70% and upto 85% - a rebate of 20 paise per unit.
- where monthly load factor is more than 85% - a rebate of 24 paise per unit.
- where monthly load factor is less than 25% but more than 20% - a penalty of 10 paise per unit.
- where monthly load is 20% or less - a penalty of 15 paise per unit.

vii. Delayed Payment Surcharge :

The delayed payment surcharge shall be 1.25% per month on the due amount of the bill from the due date of payment of the bill upto the date of payment. The rate for the broken period shall be .0417% p.d.

viii. Other Terms and Conditions and Charges :

There shall not be any change in the other existing Terms and Conditions, Rebates, Incentives and Charges.

9.2 Expected Revenue for the full year (2001-2002) at the approved tariff

| Category of consumers | No. of consumers | Sales (MU) | Overall rate (p/kwh) | Revenue from power supply bills Rs.(L) |
|-----------------------|------------------|------------|----------------------|--|
| | | | | |

| | | | | |
|--|----------------|--------------|------------|---------------|
| LT Domestic | 2888910 | 2145 | 211 | 45291 |
| LT Commercial | 498879 | 585 | 337 | 19745 |
| LT Industrial | 81977 | 576 | 342 | 19672 |
| LT Concessional : Agriculture Irrigation | 119812 | 928 | 99 | 9205 |
| LT Public Water | N.A. | 56 | 190 | 1057 |
| Street Lighting | 20088 | 56 | 150 | 842 |
| Overall LT | 3609666 | 4346 | 221 | 95812 |
| High Voltage | 2901 | 2706 | 366 | 98934 |
| EHV | 5 | 258 | 358 | 9246 |
| Railways | 19 | 572 | 361 | 20688 |
| Licencees | 5 | 1312 | 246 | 32282 |
| Overall HT | 2930 | 4849 | 332 | 161150 |
| Overall * | 3612596 | 10748 | 270 | 290041 |

* After taking into account :- 1) Unaccounted Energy 1553 MU - 37583 lakhs.
2) Rebates / Incentives / Penalty etc. - (-) 4504 lakhs (net)
after partial absorption in L.T.

Energy charge / overall rate is rounded in paise.

9.3 The arrears realization / refund due under this order from April 2001 to December 2001 is to be made in five equal monthly instalments and the amount are to be shown separately in the bills for the information of the consumers.

CHAPTER - 10 : FUEL AND POWER PURCHASE COST ADJUSTMENT

10.1 We had indicated in the Chapter on tariff structure that in addition to the tariff already fixed through this order, the WBSEB would further be entitled to an added sum towards the enhanced cost actually paid for fuel and power purchase after the date of effect of the tariff structure. The cost of fuel or the price of power purchase from other utilities is not under the control of WBSEB and it is a norm in the power sector to take into account the cost of fuel and power purchase at the beginning of the year for determination of tariff and also to provide for compensation / adjustment for any variation in such cost in the intervening period and normally adjustment is made every six months. We prescribe the following formula for such adjustment. It may, however, be clarified that the amount to be reimbursed under the formula shall not exceed in any case the additional amount properly incurred on Fuel costs and Power Purchase costs based on various normative parameters and limits laid down in this order and within the directions of the Commission.

10.2 Formula for fuel and power purchase cost adjustment (FPPCA)

10.2.1 Fuel and power purchase cost adjustment charge per unit of energy sold during adjustment period shall be in terms of the following formula :

$$(FC + PPC) - CD - CR + A$$

$$\text{FPPCA (p/kwh) : } \frac{\text{-----}}{\text{-----}} \times 100$$

$$(\text{Gown} + \text{Eimp}) \times (\text{I} - \text{L})$$

FC (Rs.) : Fuel cost of own generation as per Normative parameters fixed by the Commission and / or on actual basis (in absence of any norm) for actual level of sales during the adjustment period.

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

CD (Rs.) : Cost disallowed by the Commission as having been incurred in breach of its economic generation / purchase obligation, or of order / direction of the Commission, if any, or for any other reason during the adjustment period.

CR (Rs.) : Fuel and power purchase cost already realized through basic tariff and associated FPPCA charge during the relevant adjustment period, corresponding to actual level of sales.

A (Rs.) : Adjustment, if any, to be made in the current period to account for any excess / shortfall in recovery of fuel and power purchase cost in the past adjustment periods.

Gown (KWH) : Total energy sent out from utility's generating stations during the adjustment period based on normative or actual auxiliary consumption whichever is less, corresponding to actual level of sales.

Eimp (KWH) : Total energy purchased at the sent out bus from different sources during the adjustment period corresponding to actual level of sales.

L (%) : Normative T & D loss fixed by the Commission.

10.2.2 We direct that the adjustment period shall be every six months. As we have accepted the actuals for the year 2000-01, for prices of fuel we do not allow any increase towards cost of fuel for this year, and the WBSEB shall apply the formula for 2000-01 only if there had been any variation in the power purchase cost. For the year 2001-02, realization may be made on the basis of the above formula. The dates of adjustment would be 30.9.2000, 31.3.2001, 30.9.2001 and 31.3.2002. Any proposal for adjustment shall be subject to the approval of the Commission and once the proposal is approved, it should be reflected in the consumer's bill in a separate entry for their information. The normative parameters fixed by the Commission and the costs taken have been appropriately dealt with in this order. At the end of each adjustment period, the WBSEB shall calculate the FPPCA as per the above formula based on the approved parameters, cost and consumption. The complete details along with the cost data, quantitative details and relevant information / document duly certified for the subject matter revisions and duly audited for the whole year for the March revision shall be submitted to the Commission for approval.

Sd/- (A. K. Jain)
Member (F&A)
7.12.2001

Sd/- (S. K. Phaujdar)
Chairperson
7.12.2001

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