DPL TARIFF ORDER DATED 29/03/2005

ORDER

ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN

Case No. T.P. - 18/05 - 06

IN RE THE TARIFF PETITION OF DURGAPUR PROJECT LIMITED FOR THE YEAR 2005-2006 UNDER SECTION 64(3)(a) READ WITH SECTION 62(1) AND SECTION 62(3) OF THE ELECTRICITY ACT, 2003.

CHAPTER - 1

INTRODUCTION

1.1 West Bengal Electricity Regulatory Commission (referred to as the Commission hereinafter) was constituted by the State Government of West Bengal in the year 1999 in terms of Section 17 of the Electricity Regulatory Commissions Act, 1998. The latter, along with two other Acts was repealed by dint of Section 185 of the Electricity Act, 2003 which came into force with effect from 10th June 2003. The first proviso to Section 82(1) of the Electricity Act ensured continuity of the Commission – along with that of all other State Electricity Regulatory Commission – by laying down that the State Electricity Regulatory Commission established by different State Governments under Section 17 of the Electricity Regulatory Commission Act, 1998 (and some other enactments) and functioning as such immediately before the appointed date shall be the State Commissions for the purposes of the Electricity Act, 2003.

1.2 The functions of a State Commission have been specified in Section 86 of the Electricity Act, 2003. Of its many functions, a State Commission has to discharge the function of determination of tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State. Further, Section 62(1) of the Act also requires the appropriate Commission to determine the tariff in accordance with the provisions of this Act for supply of Electricity by a Generating Company to a Distribution Licensee, for transmission of electricity, for wheeling of electricity as well as for retail sale of electricity.

1.3 The Commission, therefore, has all the authority under the Electricity Act, 2003 to determine the tariff as laid down in the Act, and these powers and authority are in continuation of similar powers and authority that were enjoyed by the Commission under Section 29 of the Electricity Regulatory Commission Act, 1998.

1.4 The Durgapur Projects Limited (referred to as the DPL hereinafter) was a sanction holder under Section 28 of the Indian Electricity Act, 1910, the sanction having been granted by the State Government of West Bengal in 1964. The DPL has become a deemed Licensee in terms of the first proviso to Section 14 of the Electricity Act, 2003. Organisationally, the DPL is a Government Company wholly owned by the State Government of West Bengal. Located in Durgapur, it runs a Coke Oven Plant, a Water Works and a Power Plant. The consumers of the DPL's power are mostly local industries as also the WBSEB. Besides, there are some domestic and commercial consumers also. It supplies power to the WBSEB at 132 KV, 33 KV and 11 KV, while power to other consumers is supplied at 11 KV and below.

1.5 The Commission, in the past, has passed tariff orders for the DPL for 5 years from 2000 – 2001 to 2004 – 2005 (both years inclusive) in two joint orders, i.e., one covering the years 2000 – 2001 and 2001 – 2002, and the other covering the years 2002 – 2003, 2003 – 2004 and 2004 –

2005 simultaneously. The DPL felt aggrieved by the last tariff order, which was issued on 9th June 2004, and moved the Hon'ble High Court at Calcutta in an appeal against the said tariff order in AST No. 1134 of 2004 and WP No. 14128 (W) of 2004. The Hon'ble High Court was pleased, by an order dated 15th July 2004, to stay the operation of one part of the tariff order of the Commission, involving a question of refund to the consumers of the DPL, while the rest of the tariff order was not interfered with. This particular part of the last tariff order is still sub-judice.

1.6 The DPL submitted a petition to the Commission for determination of its tariff for 2005 – 2006 on 30th November 2004. On examination of the same, the Commission found that a number of information, which the tariff petition was required to furnish, had either not been furnished at all, or were furnished only partly or were not furnished in the prescribed format. The Commission, therefore, issued a notice to the DPL directing the latter to attend a hearing to decide upon the admissibility of the petition. The hearing, which was attended by Shri S. P. Datta, the Managing Director and others, was held on 20th December 2004. In course of the hearing, the facts of some of the required information having not been presented at all, or having been presented only in part, or having not been furnished in the prescribed proforma were established. The Commission, thereupon, passed a formal order rejecting the tariff petition, in question, and directing the DPL to submit a fresh tariff petition within 4 (four) weeks hence.

1.7 The DPL has, in compliance with the said direction from the Commission, submitted a fresh tariff petition for 2005 – 2006 along with all necessary information on 15th January 2005, in pursuance of Section 64 of the Electricity Act, 2003 read with Chapter III of the WBERC (Conduct of Business) Regulations, 2003 and the WBERC (Tariff) Regulations, 2003.

1.8 The fresh tariff petition dated 15th January 2005 has been admitted by the Commission and has been assigned a number being No. TP – 18/05-06 dated 15th January 2005.

1.9 On submission of the said tariff petition, the tariff petitioner was advised to publish the gist of the tariff petition in the form approved by the Commission in compliance with Section 64(2) of the Act. The gist was accordingly published simultaneously on 22nd January 2005 in Bartaman and The Statesman, as also in two local dailies having readership predominantly in Durgapur area and enjoying high circulation, one being Prabhat Khabar and the other being Ganasakti. The publication invited the attention of all interested parties, stake holders and the members of the public to the tariff petition of the DPL for 2005 – 2006 and requested for submission of objections, comments, etc., if any, on the tariff petitions to the Commission within 30 days from the date of its publication. Opportunities were also afforded to all to inspect the tariff application and take copies of the latter.

1.10 Only one set of objections / comments has been received within due date. These objections / comments have come from West Bengal State Electricity Board. These have been dealt with in Chapter 3 of this tariff order.

1.11 On the issue of the modalities of dealing with the instant tariff petition with specific reference to hearing, it is to be noted that while issuing tariff orders under Section 64(3)(a) of the Electricity Act, 2003 read with other relevant Sections ibid in 2004 – 2005, the Commission did not give any hearing to either the licensees / generating companies, or to the members of the public, or to the objectors. This was challenged before the Hon'ble High Court at Calcutta. By an order and judgement dated 4th October 2004 in W.P. No. 16166 (W) of 2004 (Rohit Ferro Tech. Pvt. Ltd. & Ors. – vs – West Bengal Electricity Regulatory Commission & Ors.), Hon'ble Justice Mr. P. C. Ghosh held that no hearing was to be given while determining tariff under the Electricity Act, 2003. Subsequently, this order and judgement have been affirmed by the Division Bench of the Hon'ble High Court at Calcutta, comprising of Hon'ble Justice Mr. Aloke Chakrabarti and Hon'ble Justice Mr. S. P. Talukdar in an order dated 25th February 2005 in appeal case no. AST 2295 of 2004 (Rohit Ferro Tech. Pvt. Ltd. & Ors. –vs- West Bengal Electricity Regulatory Commission & Ors.). Therefore, in accordance with the provisions of law and in compliance with the above

spoken orders of the Hon'ble High Court at Calcutta, no oral hearing has been given by the Commission to the tariff petitioner, or anyone else while issuing this instant tariff order for Durgapur Projects Limited for the year 2005 – 2006.

CHAPTER - 2
THE CASE OF DPL 2005 - 2006

2.1 The DPL has stated that while submitting its tariff petition, in question, it has followed the principles laid down in the WBERC (Conduct of Business) Regulations, 2003 and the WBERC (Tariff) Regulations, 2003 in calculation of its reasonable expenditures and reasonable returns for 2005 – 2006.

2.2 It has also stated that one of its basic premises has been reduction of cross subsidies and rationalization of tariff for different classes of consumers.

2.3 It has presented different sets of calculations to project various costs to be incurred in course of 2005 – 2006, also its earnings at the existing rates of tariffs, and has concluded that there will be a gap of Rs. 4785.86 lakh in 2005 – 2006, which will need to be covered by an increase in the rates of tariff to be awarded in its favour.

2.4 The DPL has claimed that it has registered noteworthy improvements on many fronts. To start with, it has reduced its T&D losses from 21% in 2000 – 2001 to about 7% in 2003 – 2004 and it has proposed to maintain the T&D losses at the same level in 2005 – 2006. It proposes to undertake a scheme of augmentation and renovation of its T&D network, install check-meters and replace the old electro-mechanical meters by electronic meters at the premises of the consumers.

2.5 The DPL has 6 (six) units in its Thermal Power Station with an original total installed capacity of 397 MW, which stood derated in 2000 – 2001 at 387 MW. However, after it has executed RUM & LEP for its first 5 (five) units in 1998 – 1999, the total capacity is now claimed to be 401 MW with all the 6 (six) units in operation. But with the 6th unit proposed to be shut down for a major part of the year, the projected gross generation for 2005 – 2006 will be of the order of 1850 MU, and total sale will be of the order of 1555.45 MU.

2.6 In its tariff petition, the DPL has projected different PLFs for different units while its overall PLF has been projected to be 52.67% and their overall availability is expected to be of the order of 62%.

2.7 The DPL does not propose to purchase any power from the WBSEB from which it used to purchase power in the past. It will not purchase any power from any other source either in 2005 – 2006.

2.8 The DPL feels that the demand of power from among its consumers / would be consumers will increase and so will its local sale, inspite of the fact that several industrial units owned by the Central Government have either been closed down or are sick. It has stated that sale of power to industrial HT consumers constituting about 89% of the total projected local sale will be about 1362.19 MU in 2005 – 2006, thus outstripping the estimated sale of 1251.54 MU to such consumers in 2004 – 2005. Because of increase in local sales, the DPL proposes to reduce its bulk sale to the WBSEB from 241 MU (estimated) in 2004 – 2005 to 108 MU (projected) in 2005 – 2006.

2.9 Some of the other salient points in the tariff petition are as follow:

(a) It has stated that in 2005 – 2006, it would reduce its specific coal consumption (kg / Kwh) exclusive of transit loss from 0.84 kg/kwh in 2004 – 2005 to 0.79 kg/kwh. It has reported that the overall cost of fuel in 2005 – 2006 would be 137 paise / kWh compared to 140 paise / kwh in 2004 – 2005 inspite of substantial rise in the price of coal with effect from 16.06.2004.

(b) The DPL has presented calculations that purport to show that the weighted average heat rate for its units will be of the order of 3125 K.Cal/Kwh in 2005 – 2006 even though the age of these units varies from 44 years from the time of first synchronization (for the first two units) to 19 years (for the sixth unit).

(c) The tariff petitioner also reports that the coal shortage (transit loss), which was 4.83% in 2003 – 2004, has since been going down because of certain effective steps taken by them and that the same will be around 4% only in 2005 – 2006.

(d) Similarly, the DPL has stated that the rate of specific oil consumption has come down to 7.15 ml/kwh in 2004 – 2005 from the previous consumption rate of 7.38 ml / kwh in 2003 – 2004 and the same is projected to be of the order of 6.5 ml / kwh in 2005 – 2006.
2.10 Claiming these and other improvements, the DPL has projected a total expenditure of Rs. 36330.15 lakhs in 2005 – 2006, consisting of Rs. 21286.21 lakhs on fuel, Rs. 2058.43 lakhs as employees' cost, Rs. 1891.72 lakhs on other administrative and general charges, a special provision of Rs. 646.96 lakhs on coal and ash handling, Rs. 11.65 lakhs on rent, rates and taxes, Rs. 1129.00 lakhs on water charges, Rs. 0.16 lakh on auditor's fees, Rs. 2653.95 lakhs on repairs and maintenance including consumables, Rs. 3918.81 lakhs on interest charges, Rs. 107.62 lakhs on other finance charges, Rs. 118.91 lakhs as bad debt etc. and Rs. 2506.73 lakhs as depreciation.

2.11 The tariff petitioner has claimed a reasonable return amounting to Rs. 3544.50 lakhs, which has been calculated at the rate of 13.9% on 50% of share capital, i.e., on Rs. 10250.00 lakhs, applicable for 2005 – 2006.

2.12 The DPL has also projected that it will receive a sum of Rs. 314.90 lakhs as other income in 2005 – 2006.

2.13 On the basis of these projections, its total revenue requirement in 2005 – 2006 has been calculated at Rs. 39874.65 lakhs, and the revenue requirement from sale of power has come to Rs. 39559.75 lakhs. The revenue from sale of power at the existing tariff would be Rs. 34773.89 lakhs. Therefore, the DPL has calculated the incremental revenue from the proposed upward tariff revision to be of the order of Rs.4785.86 lakhs, and the average cost of supply, on such basis, would come to 254 paise / kwh in 2005 – 2006.

2.14 The tariff petitioner has submitted its tariff proposal along with an explanatory note in Vol. I; the tariff formats prescribed by the Commission and attachments detailing the data have been submitted in Vol. II; copies of the audited power plant accounts for the years 2001 – 2002, 2002 – 2003 and 2003 – 2004 have been furnished in Vol. III; and copies of the Annual Reports of the company for the years 2001 – 2002, 2002 – 2003 and 2003 – 2004 have been submitted in Vol. IV of the petition.

CHAPTER - 3
OBJECTIONS

Objections against the Tariff Petition of Durgapur Projects Limited (2005 - 2006)

3.1 A notification dated 22nd January 2005 was issued by the Durgapur Projects Limited (DPL) as per direction of the West Bengal Electricity Regulatory Commission, providing the gist of the tariff petition for the financial year 2005 – 2006 of the DPL and seeking objections etc., if any, against the said Tariff Petition from all interested parties within a given time. The notification was published in 4 (four) leading dailies of Kolkata. In response to the notification, 1 (one) objector i.e., West Bengal State Electricity Board (WBSEB) has submitted objections in writing to the Commission within the given time. The objections of this objector are discussed below:

3.2 A number of objections have been recorded by West Bengal State Electricity Board (i.e. WBSEB), which is a statutory body constituted in term of Sec. 5 of the Electricity (Supply) Act, 1948. WBSEB has been purchasing electricity from DPL at 132 / 220 KV as per decision of the Power Department, Government of West Bengal till 1999 – 2000 and thereafter in terms of Orders dated 9th June 2004 and 14th June 2004 issued by the Commission.

3.3 WBSEB has pointed out that in the tariff petition filed by DPL for the year 2005 – 2006, they have sought for an enhancement of power tariff to the extent of 220 paise / Kwh as against 190

paise / Kwh which tantamount to a hike of 15.79% over the power tariff approved by the Commission for the year 2004 – 2005.

3.4 WBSEB has pointed out that since the DPL has no other source of energy available other than their own generation, the power tariff for DPL should cover only the generation cost and Reasonable Return as per the Act considering the fact that WBSEB is drawing power from DPL at 132 / 220 KV metered at the DPL's power station switchyard at Durgapur.

3.5 WBSEB has further pointed out that the sent out generation cost and reasonable return of DPL for the year 2005 – 2006 should be considered based on the applicable norms in respect of different parameters i.e. PLF, Heat Rate, Auxiliary Consumption, Secondary Fuel Oil Consumption, Weighted Average Price of Coal and Oil, GCV of Coal and Oil, etc. as considered by the Commission for computation of sent out generation cost for the year 2004 – 2005.

3.6 WBSEB has further submitted that they are purchasing power from DPL at 33 KV on radial mode. As per the Order of the Commission dated 9th June 2004, the chargeable amount for supply of energy at 33 KV to WBSEB for the year 2004 – 2005 was 195 paise / Kwh against which DPL, in their petition for the year 2005 – 2006, has prayed for an enhancement to the extent of 225 paise / Kwh thereby leading to a hike of 15.38%.
WBSEB has urged the Commission to review the tariff, as prayed for, for supply of energy at 33 KV on Radial mode based on the reasons that the power at 33 KV drawn by WBSEB from DPL is also metered at the Switchyard of DPL's sub-station at Durgapur and hence DPL should charge only the sent-out generation cost plus a margin covering the transformation loss and reasonable return.

3.7 WBSEB has further pointed out that they are also purchasing power from DPL at 11 KV at Bidhannagar (Durgapur) for onward supply to 220 KV Sub-station of Power Grid Corporation of India Limited at Parulia. WBSEB urged the Commission to review the price enhancement to the extent of 230 paise / Kwh for supply of energy to the above 11 KV, as the hike is around 15% over the tariff for the year 2004 – 2005.

3.8 WBSEB contended that from the detailed components of Employees' cost, as given by DPL in their tariff petition for the year 2005 – 2006, it is observed that DPL has claimed a hike of 10% in all the components of employees' cost over 2004 – 2005 contrary to the fact that in case there is increase in leave salary, gratuity, etc., obviously there should be a decrease in salary wages, bonus & ex-gratia, company's contribution to PF, Pension Schemes, etc. Furthermore, DPL has claimed an abnormal increase in statutory bonus and ex-gratia in 2004 – 2005 and 2005 – 2006 over 2003 – 2004 to the extent of 181.80% and 210.17% respectively, though the reason for such abnormal increase has not been clarified in their tariff petition for the year 2005 – 2006. WBSEB further submitted that DPL has also not clarified in their tariff petition for the year 2005 – 2006 the reasons for enhancement in salary and wages to the extent of 10% over 2004 – 2005 although there was a decrease in the same head by 4.78% in 2004 – 2005 over 2003 – 2004.

3.9 WBSEB pointed out that the cost increased towards Repair and Maintenance by 21.17% and 6.42% over 2003 -2004 for the years 2004 – 2005 and 2005 – 2006 respectively as projected by DPL in their tariff petition for the year 2005 – 2006 seems to be not reasonable and they prayed to the Commission for disallowing the same. They have also pointed out in this connection that amount against Gross Fixed Assets at the beginning of 2005 – 2006 has been shown differently at Vol. I and Vol. III and R&M expenses in the year 2004 – 2005 & 2005 – 2006 seem to be very high and may not be allowed.

3.10 WBSEB further submitted that the enhancement in Administrative and General expenses, as projected by DPL, for the years 2004 – 2005 and 2005 – 2006 to the tune of 15.57% and 7.17% over 2003 – 2004 and 2004 – 2005 respectively are also very high. WBSEB also contended that DPL has sought for outright 10% increase in employees' cost, repair & maintenance, interest and other expenses for the service department and central workshop without considering the impact of reduction in manpower and other factors.

3.11 WBSEB pointed out that DPL in their petition has claimed for penal interest to the tune of Rs. 44.60 lakhs, Rs. 47.43 lakhs and Rs. 50.25 lakhs for the years 2003 - 2004, 2004 – 2005 and 2005 – 2006 respectively which should not be allowed by the Commission while fixing the revenue

requirement as the penal interest is due to non-payment of loan in due time the reasons of which are solely attributable to DPL.

3.12 WBSEB contended that DPL has submitted different original cost of assets at the beginning of the year, as shown in various annexures submitted along with their tariff petition. They also pointed out that amount of fully depreciated assets, as shown in the annexure to tariff petition, are decreasing from year to year for which no valid reason has been indicated. Cost of assets at different rate of depreciation has not been indicated in Annexure – I, Form 1.2(a) at page 34 to 39 of Vol. II. WBSEB has urged the Commission to look into those deficiencies.

3.13 WBSEB submitted that the Reasonable Return should be considered in terms of Item –2, Schedule – I of West Bengal Electricity Regulatory Commission (Tariff) Regulations, 2003 issued under Notification No. 18/WBERC dated 9th April 2004 instead of Schedule – 6 of Electricity (Supply) Act, 1948.

3.14 Finally, WBSEB has prayed to the Commission for fixing the tariff for supply of energy by DPL to WBSEB at 132 / 220 KV, 33 KV and 11 KV at reasonable rate, as deemed fit, considering the points enumerated above.

3.15 The Commission has taken careful note of the objections / comments made by WBSEB on the tariff petition under consideration and has considered the same. The extent of the Commission's agreement with the above spoken objections / comments etc. will be reflected in the concerned portions of the tariff order hereinafter.

CHAPTER – 4
SALES & ENERGY BALANCE

4.1 Durgapur Projects Limited (DPL) is a multi-unit company having Coke Ovens, a Coal Washary, a Power Plant, a Water Treatment Plant and a Spun Pipe Factory. So far as its power business is concerned, DPL is a Distribution Licensee with the speciality that the entire energy requirement for distribution in its area of operation comes from its own power generating units. Part of the energy generated remaining surplus after meeting the demand of its licensed area is taken by West Bengal State Electricity Board (WBSEB). However, in case of emergency or whenever own generation of DPL's units is inadequate, power is sourced from WBSEB to meet the local demand. As per the arrangement with WBSEB, sale by DPL is settled off against the purchased units from WBSEB on monthly basis and the resultant figure is treated as net sale at the end of each month. DPL, however, does not anticipate the necessity of sourcing power from WBSEB during the year 2005 – 2006. Thus, the net generation in its power plants and demand in the licensed area are the determinants of its Energy Balance and also of its ability to supply to WBSEB.
4.2 Generation:
4.2.1 The power station of DPL presently has 6 (six) units with a total installed capacity of 401 MW. The original installed capacity was 397 MW, which was de-rated to 387 MW in 2000 – 2001. The same was raised to 401 MW after completion of RUM & LEP. The table below summerises DPL's unit wise actual generation during 2003 – 2004, expected generation during 2004 – 2005 and projected generation for 2005 – 2006.

Unit	Capacity MW	2003-2004 (Actual)		2004-2005 (Estimated)		2005-2006 (Projected)	
		Generation MU	PLF %	Generation MU	PLF %	Generation MU	PLF%
Unit-1	30	43.442	16.53	90.06	34.27	55.00	20.93
Unit-II	30	45.720	17.39	21.52	8.19	50.00	19.03
Unit-III	77	497.433	73.74	363.52	53.89	433.00	64.19
Unit-IV	77	486.666	72.14	410.20	60.81	432.00	64.05
Unit-V	77	404.648	60	430.55	63.83	418.00	61.97
Unit-VI	110	443.241	46	539.15	81.41	462.00	47.95
Gross		1921.150		1865.00		1850.00	

Generation							
Overall PLF		54.59%		53.09%		52.67%	
Overall Availability		70.13%		62.45%		62.00%	

As can be seen from above table, the projected generation during 2005 – 2006 is much less than the actual level of generation achieved during 2003 – 2004 and 15 MU less than the estimated total generation during 2004 – 2005. The reasons for setting lower generation target are stated as under:

i) Though the age old units (No. I to No. V) have been renovated, they did not come out as efficient as greenfield ones.

ii) Unit number VI which is of 19 years old is to be placed under RLA study during coming June & July 2005.

iii) DPL has to run 4 mills (Boiler is designed for 3 mills running) due to procurement of inferior quality of coal which results in lower PLF, frequent tube leakage and other breakdowns.

4.2.2 It has been noted from the submission of DPL that against the target generation of 1865 MU during 2004 – 2005, DPL has already achieved 977 MU of generation during the first 6 months of the year. If this trend continues the total generation during 2004 – 2005 is likely to exceed 1950 MU. In so far as quality of coal is concerned, it has been noted that the projected grade mix of coal is not in much variance with grade mix used in 2003 – 2004. We, therefore, do not think there is sufficient reason for targeting generation lower than the generation actually achieved during 2003 – 2004 and during the first half of 2004 – 2005. Though the VIth unit of the power station will be on RLA study for two month during 2005 – 2006, DPL expects to generate 462 MU out of it as against 443 MU generated in 2003 – 2004. We, therefore, set the generation target for DPL in 2005 – 2006 at 1950 MU.

4.3 Auxiliary Consumption:
In the previous year the Commission allowed auxiliary consumption @ 11% as against which DPL has projected a lower rate of auxiliary consumption during 2005 – 2006 at 10%. As per the audited accounts of the company for the year 2003 – 2004, the actual rate of auxiliary consumption comes to 9.19%. For the year 2005 – 2006, we allow an auxiliary consumption @ 9.50%.

4.4 Net Sent out power at Bus:

The net sent out power at Bus from DPL's power station is admitted as under:

	Million Units
Generation	1950.00
Less: Auxiliary Consumption @ 9.5%	185.25
Net Generation at Bus	1764.75

4.5 Sales:

The category wise sales projected by DPL during the year 2005 – 2006, compared with actual of 2003 – 2004 and estimated for 2004 – 2005, are as under:

Sl. No.	Categories	2003-2004 Actual	2004-2005 Estimated	2005-2006 Projected
1.	Domestic & Others	31.48	35.01	35.47
2.	Commercial & Public Lighting	13.80	15.28	15.09
3.	Industrial (LT)	5.19	5.21	5.50
4.	Irrigation	--	0.18	0.20

5.	Industrial (HT)	1069.19	1251.54	1362.19
6.	Interplant Transfer	28.37	29.00	29.00
7.	TOtal Local Sale (1 to 6)	1148.03	1336.22	1447.45
8.	WBSEB			
	(a) 11 KV		8.00	8.00
	(b) 132 KV	509.09	123.00	50.00
	(c) 33 KV		110.00	50.00
	Total	**1657.12**	**1577.22**	**1555.45**

It has been brought out by DPL that the rate of growth in local sale has decreased in comparison to that of the previous years as some of the major public sector industrial undertakings are in closed / sick condition for a long period. DPL is also not in a position to supply further load to new prospective TOD consumers. The sale of Industrial HT (TOD) consumers has been estimated on a case to case basis. Bulk supplies to WBSEB in 132 / 33 KV are on residual basis after meeting the local demand, which includes demand of WBSEB in 11 KV.

4.6 Transmission & Distribution Loss (T&D Loss):
DPL has asked for 7% T&D loss on its local sale as against 6.5% allowed by the Commission for the previous year. It has been highlighted that it is supplying power in Durgapur at 11 KV / 0.40 KV / 220 V to its local consumers through its T & D network having 4 Nos. 132 / 11 KV grid substations, 2 Nos. 11 KV switching stations and several LT substations. T&D network and equipments were developed about 40 years back and all such equipments have completed their useful life, and some have become obsolete. It has also been highlighted that though most of the industrial consumers of DPL have a load demand above 1500 KVA and according to norms power supply should have been at 33 KV or above, power is supplied to these consumers at 11 KV resulting in increased T&D loss on technical ground. It has, however, been admitted that some quantity of energy is consumed in an unauthorized manner by hooking and tapping. It has been noted that DPL has undertaken certain schemes for strengthening and extending its T&D network in phases and certain parts of such schemes are expected to be completed by 2005 – 2006. DPL is also taking active steps to reduce the commercial losses. We consider DPL's performance on this front to be commendable and are sure that with a little more effort and attention DPL will be able to contain T&D loss at 6.5% allowed by us in the previous year. We retain the same rate for 2005 – 2006 also.

4.7 Energy Balance:

On the basis of analysis done in the foregoing paragraphs, we admit the following Energy Balance for DPL for the year 2005 – 2006.

	Supply	**Million Units**
i)	Gross own Generation	1950.00
ii)	Less : Auxiliary Consumption (9.50%)	185.25
iii)	Net Sent-out power from own Generation	1764.75
iv)	Purchase	Nil
	Total Supply	**1764.75**
	Utilization	
i)	Local Sales to consumers (including supply of 8.00 MU toWBSEB in 11 KV)	**1426.45**
ii)	Inter-unit transfer	**29.00**
iii)	Total local consumption	**1455.45**
iv)	T&D Loss @ 6.5% 1455.45 x 6.5	**101.18**

	(100-6.5)	
v)	Net local consumption	**1556.63**
vi)	Supply to WBSEB in 132/33 KV - (Balance available)	**208.12**
	Total Utilization	**1764.75**
	Sales	
i)	Local	**1455.45**
ii)	WBSEB (132/33 KV)	**208.12**
ii)	**Total**	**1663.57**

CHAPTER – 5
VARIABLE COST

5.1 The variable cost comprises of Fuel Cost for generation at own power station and the purchase cost. As projected, DPL will not be required to purchase any power from outside source. We now work out the allowable fuel cost to DPL for the year 2005 – 2006 in a tabular form in the next paragraph with appropriate explanatory notes.

5.2 STATEMENT SHOWING COMPUTATION OF FUEL COST:

Sl. No.	Particulars	Unit	
1.	Generation	MU	1950.00
2.	Auxiliary Consumption (9.5%)	MU	185.25
3.	Sent-out Energy (1-2)	MU	1764.75
4.	Station Heat Rate	K.Cal/Kwh	3000.00
5.	Total Heat Required (1x4)	MK.Cal/Kwh	5850000.00
6.	Specific oil consumption	Ml/Kwh	6.50
7.	Oil consumption (1x6)	KL	12675.00
8.	CCV of Oil	K.Cal/Litre	9000.00
9.	Heat from Oil(7x8)	M.K.Cal	114075.00
10.	Heat from Coal(5-9)	M.K.Cal	5735925.00
11.	Weighted GCV of Coal	K.Cal/Kg	4327.00
12.	Coal consumption (10/11x1000)	MT	1325612.00
13.	Coal required for procurement (at 2% transit loss)	MT	1352665.00
14.	Weighted Average price of Coal	Rs./MT	1281.28
15.	Weighted Average price of Oil	Rs./KL	15119.00
16.	Cost of Oil (7x15)	Rs. Lakh	1916.33
17.	Cost of Coal (13x14)	Rs. Lakh	17331.43
18.	Total Fuel Cost(16+17)	Rs. Lakh	19247.76
19.	Sales	MU	1663.57
20.	Average cost of fuel per unit of sale	Paise/Kwh	115.70

CHAPTER – 5
VARIABLE COST

5.1 The variable cost comprises of Fuel Cost for generation at own power station and the purchase cost. As projected, DPL will not be required to purchase any power from outside source. We now work out the allowable fuel cost to DPL for the year 2005 – 2006 in a tabular form in the next paragraph with appropriate explanatory notes.

5.2 STATEMENT SHOWING COMPUTATION OF FUEL COST:

Sl. No.	Particulars	Unit	
1.	Generation	MU	1950.00
2.	Auxiliary Consumption (9.5%)	MU	185.25
3.	Sent-out Energy (1-2)	MU	1764.75
4.	Station Heat Rate	K.Cal/Kwh	3000.00
5.	Total Heat Required (1x4)	MK.Cal/Kwh	5850000.00
6.	Specific oil consumption	Ml/Kwh	6.50
7.	Oil consumption (1x6)	KL	12675.00
8.	CCV of Oil	K.Cal/Litre	9000.00
9.	Heat from Oil(7x8)	M.K.Cal	114075.00
10.	Heat from Coal(5-9)	M.K.Cal	5735925.00
11.	Weighted GCV of Coal	K.Cal/Kg	4327.00
12.	Coal consumption (10/11x1000)	MT	1325612.00
13.	Coal required for procurement (at 2% transit loss)	MT	1352665.00
14.	Weighted Average price of Coal	Rs./MT	1281.28
15.	Weighted Average price of Oil	Rs./KL	15119.00
16.	Cost of Oil (7x15)	Rs. Lakh	1916.33
17.	Cost of Coal (13x14)	Rs. Lakh	17331.43
18.	Total Fuel Cost(16+17)	Rs. Lakh	19247.76
19.	Sales	MU	1663.57
20.	Average cost of fuel per unit of sale	Paise/Kwh	115.70

5.3 Above computations of allowable total fuel cost is based on the generation target and the rate of auxiliary consumption set by us in the earlier chapter. The other factors that we considered are as follows:

i) Station Heat Rate:

DPL has stated that the first 5 units of the power plant are of 41 years old and designed as per standards of technical development available at that time. The 6th Unit also has reached its residual value during the year 2003 – 2004. The actual average weighted heat rate of all the 6 units for the year 2003 – 2004 came to 3242 K.Cal / Kwh. DPL is taking steps to arrest the heat losses and expects to be able to reduce the heat rate to 3200 K.Cal / Kwh in the year 2004 – 2005 and to 3125 K.Cal / Kwh in 2005 – 2006. In consideration of the reasons advanced by the tariff petitioner, we are allowing station heat rate 3000 K.Cal / Kwh for the year 2005 – 2006 as against 2900 K.Cal / Kwh allowed in the earlier year. It, however, needs specific mention that a part of the steam available from the generating plant is being used for other functions on cost recoverable basis. Such recovery of cost will be taken into account for adjustment before arriving at the Net Revenue Requirement of the tariff petitioner.

ii) Specific Consumption of Oil:

It has been stated by DPL that due to firing of low-grade coal the flame stability in the boilers can not be ideally achieved in the plants. We find from the audited accounts submitted along with the petition that the actual specific oil consumption rate for the year 2003 – 2004 was 7.38 ml / kwh.

DPL expects substantial reduction in outages and as such, the need for oil firing will be minimized. The rate of oil consumption is expected to improve to 6.50 ml / kWh. We agree to allow the same.

iii) Weighted Gross Calorific Value (GCV) of Coal:

The weighted average GCV of coal has been projected to be 3883 K.Cal/kg. Considering the grade wise coal mix as proposed to be used in the plants, we do not agree with the projected GCV of coal. The declared heat value of the different grades of coal considered by DPL in their computation at page 101 of Volume II of its petition is also not correct. Heat value of the each grade of coal varies within a range. Even, if we consider the minimum heat value of different grades of coal to be used, the weighted average of GCV should be at least 4327 K.Cal/kg. This will come out from the computations as under:

Sources of Supply / Grade	Quantity MT	Minimum GCV	Product
1	**2**	**3**	**4 (2 x 3)**
ECFL/B	64240.00	5600	359744000
ECFL/C	13032.00	4940	64378080
ECFL/D	1505.00	4200	6321000
BCCL/C	127340.00	4940	629059600
BCCL/D	125178.00	4200	525747600
BCCL/W-3	75036.00	2700*	202597200
BCCL/W-4	112730.00	2500*	281825000
BECML/C	784479.00	4940	3875326260
MCL/F	157451.00	2400	377882400
Total	**1460990.00**		**6322881140**
Average			**4327.80**
		Say :	**4327**

If DPL does not get proper grade of coal for which payments are being made, the matter should be taken up with the coal supplying agencies. The burden of grade slippage should not be passed on to the power consumer as a matter of routine.

iv) Transit loss of coal:

It has been stated by DPL that the receipts of coal are accounted for based on the weight recorded in the railway receipts and hence the loss in transit remains un-ascertained. In view of non-availability of railway weighing facilities, in many instances, the coal weighment is being done at colliery point on the basis of chargeable weight and hence there remains the chance of under-loading. We, however, note that the services of M/s West Bengal Mineral Development and Trading Corporation (a Govt. of West Bengal Undertaking) are being utilized from the year 2004 – 2005 to minimize the transit loss of coal. DPL also set up static as well as electronic in-motion weigh bridge to weigh the entire quantity of coal receipts in the plant. In view of the above steps taken by DPL, there is every reason for the rate of transit loss of coal to come down. We, therefore, allow 2% transit loss as against 4% allowed in earlier year.

v) Weighted Average price of Coal and Oil:

The weighted average price of coal and oil as worked out by DPL are in our considered view, acceptable. We adopt the same for the purpose of working out variable cost.

5.4 Fuel Cost Adjustment (FCA):

The fuel cost allowed by the Commission is subject to adjustment normally at the end of every six month period in terms of the FPPCA formula enunciated by the Commission vide Schedule 4 of the Commission's Tariff Regulations 2003. However, the Commission is aware of a distinct possibility of there being a significant upward adjustment in the fuel cost due to a steep increase in the cost of coal during the later part of 2004 – 2005. A significant mid-year increase in tariff should best be avoided if possible. Although simply delaying the process may not necessarily be useful, particularly if other factors remain unchanged, or if other factors also become unfavourable, there is always a possibility that given sufficient time, the tariff seeker will be able to counter the increase in fuel cost at least to some extent by increasing his own operational efficiency. We, therefore, proceed to direct the Durgapur Projects Limited to submit its fuel cost adjustment claims for 2004 – 2005 along with the same for 2005 – 2006 supported by annual audited accounts, necessary cost data, quantitative details and all other relevant information / documents, etc. However, there should be separate FPPCA petition for each of these years, i.e., the petitions should not be merged with each other. We also direct the DPL to try to the best of its ability to improve upon its operational efficiency and by the consequent reduction in fuel use, neutralize the increase in fuel cost as best as possible.

CHAPTER – 6
FIXED CHARGES

6.1 In this part of our order, we are to examine the projected fixed charges claimed by Durgapur Projects Limited (DPL) for the year 2005 – 2006 under different accounts. The components of the total fixed charges are:

i) Operation and Maintenance Expenses,
ii) Depreciation,
iii) Financing charges,
iv) Reasonable Returns.

We shall take up our analysis of each of the above components to record the extent of their admissibility.

6.2 Operation and Maintenance Expenses:
Operation and Maintenance Expenses comprise of the expenses under the following heads of accounts.

(a) Employees cost:

DPL has claimed Rs. 2058.43 lakhs towards employees cost comprising of Salary / Wages, Statutory Bonus & Ex-Gratia, Gratuity, Contribution to P.F., Leave Salary & Pension contribution and Staff Welfare expenses. The actual total expenditure under these heads of accounts during 2003 – 2004 is stated to be Rs. 2156.53 lakhs and estimated expenditure during 2004 – 2005 is Rs. 1871.30 lakhs. It has been stated that the tariff petitioner is striving hard to optimize utilization of human resources by reorganization and redeployment targeting gradual reduction in the total employees' strength, which came down to 1272 persons by the end of September 2004 from 1625 at the end of 1999 – 2000. It has been stated that the number of staff per MU of sale of power by DPL is now less than one and that is lower than that of other power generators as well as all India average. As employees' cost is a committed cost and cannot be controlled within a short time, we allow, on an average, 5% increase over the estimated expenditure for the year 2004 – 2005. The amount thus comes to Rs. 1964.87 lakhs. But the contention of DPL with regard to number of employees per MU of sale is not correct. DPL is a multi-unit company with various service departments catering to the needs of different production units and the power plant requires to share employees cost of such service departments. If this aspect is taken into consideration, DPL may not be as highly placed in this respect as it appears from the claim of DPL. We, therefore, urge DPL to continue its efforts to have optimum utilization of manpower. We also point out that setting up of a new 1 x 300 MW 7th Extension Unit has been taken up by DPL. It requires to be seen that cost of employees engaged / to be engaged in the capital construction works is properly capitalized and not charges to the Revenue Account. We direct DPL to give a status report in this regard along with its next Tariff Petition.

(b) Repairs & Maintenance Charges:

The Repairs & Maintenance charges including the cost of consumables projected by DPL come as under:

	Rs. in Lakhs
Repairs & Maintenance	1471.95
Consumables	1182.00
Total	**2653.95**

DPL considered the repairs & maintenance expenses as a function of its assets. It has been stated that expenses came to 2.19% of the value of gross fixed assets during 2003 – 2004 and projected to be 2.74% in the year 2005 – 2006 in consideration of the vintage of their power plants. We think that the assessment of the expenses towards repairs & maintenance should be need-based and should not be claimed as a percentage of the gross block of assets. After capitalization of the recently completed RUM and LEP the gross block of fixed assets has increased and simultaneously, the need of maintenance should have come down. Similarly, the maintenance consumables to be used in the power plants are not directly variable with volume of generation as considered by DPL. We, therefore, think that the cost of repairs and maintenance should have been done taking the needs of such maintenance into consideration. We shall, therefore, base our estimation on actual expenses incurred during 2003 – 2004 to be found from the copy of audited accounts that has been submitted along with the petition. The total expenditure (including the cost of consumables) incurred during the year 2003 – 2004 was Rs. 2152.23 lakhs. Considering 5% annual increase, we allow Rs. 2372.83 lakhs for the year 2005 – 2006.

(c) Ash Disposal:

DPL has proposed a special provision of Rs. 646.96 lakhs for the ash disposal system for the year 2005 – 2006. The petitioner has three ash ponds and two out of those are presently in filled up condition. The 3rd pond is also going to be filled up shortly. It has been highlighted that for uninterrupted generation, immediate action towards excavation of the filled up ash ponds and disposal of excavated material, keeping in view the environmental guidelines, have become imperative. The company has also submitted a detailed estimation in this regard considering total annual coal consumption of 1519430 MT during the year. Based on the submitted estimation and considering annual consumption of coal as we admitted as per the Statement at para 5.2.1, we allow Rs. 596.00 lakhs towards the cost of ash disposal for the year 2005 – 2006.

(d) Water Charges:

DPL meets its processed water requirement for generating plant as well as for colony consumption taking supply from its sister water plant unit. The cost of water requirement has been estimated to Rs. 1129.00 lakhs. As consumption of water for generation is directly linked with the generation and as we have set a higher generation target for DPL, the allowable charges on this accounts comes to Rs. 1187.00 lakhs.

(e) Administrative & General Expenses:

The Administration and General Charges claimed by DPL for the year 2005 – 2006 are as under:

	Rs. in Lakhs
i) Rent, Rates & Taxes	11.65
ii) Audit Fees	0.16
iii) Insurance & Misc. charges	176.00
iv) Allocation of Service Department & Central Workshop Expenses	1788.38
Total	**1976.19**

The estimated Misc. expenses include an amount of Rs. 36.93 lakhs towards demurrage, which is disallowed. The company must gear up its administrative machinery so that there is no occasion

for payment of demurrage.

DPL has clarified that presently it is engaged in the following activities:

i) Power Plant	Generation & Distribution of Power
ii) Coke Oven Group of Plants	Manufacture and sale of Coke & By-products
iii) Water Works	Treatment and Distribution of Water

The records and books of accounts of the company are being maintained activity-wise as individual cost centers. But the common service expenses are being shared by all the units at a ratio worked out after proportionate allocation of different expenses on a basis appropriate and reasonable for items of expenses and nature of service rendered.

As we observe, actual allocation of Service Department & Central Workshop expenses to Power Department during 2003 – 2004 was Rs. 1441.93 lakhs. We allow an average 5% annual increase on that amount for the year 2005 – 2006 and the allowable amount thus comes to Rs. 1589.73 lakhs.

The total expenditure, on account of Administration and General Charges would, therefore, come to a sum of Rs. 1740.61 lakhs for 2005 – 2006 as shown below:

	Rs. in Lakhs
i) Rent, Rates & Taxes	11.65
ii) Audit Fees	0.16
iii) Insurance & Misc. charges	139.07
iv) Allocation of Service Department & Central Workshop Expenses	1589.73
Total	**1740.61**

(f) Provision for Bad & Doubtful Debts:

DPL has furnished an age-wise analysis of outstanding Sundry Debtors as on 31st March 2004. The total outstanding amount was found to be Rs. 15474.63 lakhs out of which an amount of Rs. 3927.22 lakhs has remained unrealized for more than 3 years. The debtors outstanding over 3 years are mainly Industrial consumers including Government Undertakings. Some of such consumers have become sick or have been referred to BIFR or are under liquidation. The Utility has proposed to create a provision for Bad & Doubtful Debts @ 5% of the debts outstanding more than 3 years. The amount of such provision comes to Rs. 196.36 lakhs. DPL has already provided an amount of Rs. 150.11 lakhs on this account. The balance amount of Rs. 46.25 lakhs has been proposed to be provided in 2005 – 2006. Part of the debts going bad is a phenomenon common to all types of business establishments and the amount of charges in this regard claimed by DPL appears to be rational. We, therefore, agree to provide the aforementioned sum in DPL's fixed cost.

6.3 Interest & Finance Charges:

6.3.1 A statement showing the source wise position of loans outstanding at the beginning of the year, repayments due, the closing balance at the end of the year and interest chargeable on such loans, as provided by DPL is given below:

Sl. No.	**Sources of Loans**	**Outstanding at the beginning of the year**	**Repayments due**	**Outstanding at the end of the year**	**Interest Charges**
i)	Central Electricity Authority (CEA)	1181.00	--	1181.00	152.98
ii)	Bonds (for power business)	2053.10	--	2053.10	243.37

iii)	Power Finance Corporation Ltd. (PFCL)	20641.21	2853.46	17887.75	1721.50
iv)	Govt. of West Bengal (for Power Business)	18439.71	--	18439.71	1800.96
	Total	**42315.02**	**2853.46**	**39561.56**	**3918.81**

It has been stated that loan taken from CEA, PFCL and the loan raised through issuance of Bonds are for capital works relating to 6th unit of power plant, modernization of power plant, construction of ESP, new ash pond and for RUM & LEP. Loans from the Government of West Bengal are for ESP, RUM, LEP and others. The outstanding balance of West Bengal Govt. loans at the beginning of the year has been arrived at after conversion of Rs. 15000.00 lakhs of loan to Equity Capital. DPL has submitted the copy of the sanction order of the State Government dated 13th January 2005 in this regard.

6.3.2 DPL has submitted a copy of the letter No. SP(MISC)-204(3)/05 dated 14th January 2005 from the Department of Power, Government of West Bengal along with their tariff petition. It has been noted therein that the matter relating to reduction in the rates of interest on various loans sanctioned to DPL by the State Government is under active consideration of the Government and efforts are being made to lower down the rate to 8.5%. DPL claimed interest charges at the anticipated reduced rate on the borrowings from the State Government. The detailed computations of chargeable interest on loans from all sources have been submitted by DPL. We agree with the detailed computations with minor corrections. Loans sanctioned by the Government to DPL in 1984 totaling to Rs. 222.50 lakhs were @ 8% and those loans will bear the same rate of interest and will not be @ 8.5%. An amount of Rs. 1.11 lakhs is being deducted by us from the amount of interest claimed by DPL.

6.3.3 In addition to interest on loans DPL is to pay Rs. 107.62 lakhs towards Guarantee Fees on borrowing through Bonds and it has claimed this amount as other finance charges, which is being allowed by us.

6.3.4 Finally, the interest and finance charges allowed by us come as under:

	Rs. in Lakhs
i) Interest	3917.70
ii) Finance Charges (Guarantee Fees)	107.62
Total	**4025.32**

6.4 Depreciation:

6.4.1 The total amount of depreciation claimed by DPL is Rs. 2506.73 lakhs. It has been clarified that the depreciation has been worked out as per the provision of Companies Act, 1956 in terms of Item No. 5 (II) (viii) of Schedule – I of the Commission's Tariff Regulation, 2003. The claim includes 50% of the depreciation of the Service Department assets. The detailed computation of the chargeable depreciation has been submitted by the company. It has been observed that for certain assets, depreciation has been worked out on Straight Line Method @ 13.91%. As per Schedule XIV to Companies Act, 1956 this rate is not under the Straight line but under Written Down Value Method for single shift operation. For power plants, which are to be categorised as continuous process plants, the rate of depreciation under the Straight Line Method is 5.28%. The rate of depreciation for assets, which are to be categorised under general plant & machinery under straight-line method is 4.75% and for Electrical machinery such rate is 7.07%. In its computation of depreciation provided at page 38 in Volume II of the petition, the rate adopted for such assets is also 13.91%. With such necessary corrections carried out, the total amount of depreciation will get reduced by Rs. 411.44 lakhs. We, therefore, admit Rs. 2095.29 lakhs as chargeable depreciation.

6.5 Reasonable Returns:

6.5.1 Since the instant tariff petitioner has no internally accrued fund actually employed in building up or expansion of assets pertaining to power business, for which tariff is to be determined by the Commission, the concept of free reserves is clearly not applicable here. Therefore, reasonable return is to be allowed on Equity Capital. As stated, Equity Capital of DPL was Rs. 20500.00 lakhs during the previous year out of which Rs. 10500.00 lakhs pertains to power business. The State Government by an order dated 13th January 2005 converted loans amounting to Rs. 15000.00 lakhs to Equity Capital for the power business. The existing Equity Capital of DPL in the Power Business is, thus, Rs. 25500.00 lakhs. DPS has itself calculated the rate of return to be of the order of 13.9% on the basis of the PLRs of the nationalised banks of its choice. The Commission agrees with the same, i.e., the rate of return being 13.9%, which is 3% more than the average PLRs of three nationalised banks. The allowable Reasonable Returns @ 13.9% of such Equity Capital comes to Rs. 3544.50 lakhs.

6.6 Other Non-Tariff Income:

Non-Tariff Incomes in the Power Business of DPL during 2005 – 2006 have been estimated as under:

	Rs. in Lakhs
a) Cost of Steam to be recovered from sister Department	133.40
b) Meter Rent	41.09
c) Vehicle charges	3.20
d) Meter Testing fees	0.25
e) Rebate on interest from Power Finance Corporation Ltd.	76.95
f) Other receipts from consumers (including late payment surcharge)	60.00
Total	**314.90**

We agree to allow the total amount as estimated above.

CHAPTER - 7
STATESMENT OF REVENUE REQUIREMENT
& AVERAGE COST OF SUPPLY

7.1 The foregoing analysis of Variable Cost and Fixed Charges now leads us to draw the Statement of Revenue Requirements and also to work out the average cost of Supply as given hereunder.

STATE OF REVENUE REQUIREMENT & COST OF SUPPLY:

Sl. No.	**Particulars**	**As Projected by DPL Limited**	**As Admitted by Commission**
A. VARIABLE COST (RS. IN LAKHS) :			
1.	Fuel Cost	21286.21	19247.76
2.	Cost of Power Purchase	Nil	Nil
3.	Total Variable Cost (A)	21286.21	19247.76
B. ANNUAL FIXED CHARGES (RS. IN LAKHS) :			
4.	Employees' Cost	2058.43	1964.87
5.	Repairs & Maintenance (including consumables)	2653.95	2372.83
6.	Ash Disposal	646.96	596.00
7.	Water Charges	1129.00	1187.00

8.	Rent, Rates & Taxes	11.65	11.65
9.	Audit Fees	0.16	0.16
10.	Insurance & Miscellaneous Charges	176.00	139.07
11.	Allocation of Service Department & Central Workshop Expenses	1788.38	1589.73
12.	Provision for Bad & Doubtful Debts	46.25	46.25
13.	Interest and Financing Charges	4026.43	4025.32
14.	Depreciations	2506.73	2095.29
15.	Reasonable Returns	3544.50	3544.50
16.	**Total Annual Fixed Charges (B)**	**18588.44**	**17572.67**
17.	**Gross Revenue Requirements (A+B)**	**39874.65**	**36820.43**
18.	Other Non-Tariff Income	314.90	314.90
19.	**Net Revenue Requirement (17-18)**	**39559.75**	**36505.53**
20.	**Sales (Million Units)**	**1555.45**	**1663.57**
21.	Average cost of supply (Paise/Kwh)		
	(a) Variable Cost	136.85	115.70
	(b) Fixed Charges	117.48	103.74
	(c) Total	**254.33**	**219.44**

Note: The projected figures of DPL have been re-grouped wherever felt necessary for comparison.

CHAPTER - 8
TARIFF ORDER

8.1 Based on the analysis and the decisions recorded in earlier chapters, we now proceed to give the detailed tariff hereunder. The Commission has noted that the National Electricity Policy which has come to effect from 12.02.2005 enjoins that very poor consumers who consume electricity below a specified level, say 30 units per month, should receive special support which will be at least 50% of the average (overall) cost of supply. The tariff petitioners had already submitted their respective tariff petitions before 12th February 2005 and therefore had no opportunity to submit the necessary data in their tariff petitions accordingly. Obviously, the Commission also had no opportunity to prepare any regulation for this purpose and make the same applicable to the tariff petitions for 2005 – 2006. However, since there already is a group of consumers who consume 25 units of electricity per month, the Commission is of the considered opinion that this group can be treated for the present, as the targeted group for this purpose. An endeavour has been made to provide a reasonable tariff support to the member of this group.

8.2 The Tariff Schedule for the financial year 2005 – 2006 for supply of power to its consumers shall be as under:

Consumer Category	Consumption Slab	Fixed Charge (Rs./Con./Month)	Energy Charge (P/Kwh)
L & MV SUPPLY			
Rate - C(1) - Industries	Upto 500	20	217
	Above 500	20	225
Rate - C(2) - Public Utilities	All Units	20	200
Rate - C(3) - Domestic Purpose	Upto 25 Units	--	109
	Next 50 Units	--	170
	Next 100 Units	--	182
	Next 300 Units	--	212

	Above 300 Units	--	221
Rate - C(4) - Commercial Purpose	Upto 60 Units	5	199
	Next 100 Units	15	199
	Next 300 Units	20	204
	Above 300 Units	20	222
Rate - C(5) - Irrigation & Pump Load	All Units	40	218
Rate - D(1) Temporary Supply			
Domestic (LT)	All Units	--	400
Commercial (LT)	All Units	--	500
Non-Industrial (LT)	All Units	--	500
Rate - D(2) - Single Point Co-op.	All Units	20	218
Rate - D(3) - Bulk Colony Supply	All Units	20	218
		Demand Charge (Rs./KVA/Month)	**Energy Charge (P/Kwh)**
HIGH VOLTAGE SUPPLY :			
Rate - A (1a) - Industrial	All Units	198	182
Rate - A (1b) - Industrial (Producting Soda with Mono-Chloro Benzene)	All Units	198	183
Rate - B (1a) - TOD tariff (All Units)	6 AM - 5 PM	198	182
	5 PM - 11 PM	--	255
	11 PM - 6 PM	--	120
Rate - A(2) - Public Utilities	All Units	198	180
Rate - A(3) - Non-Industrial / Non-Domestic	All Units	198	199
Rate - A(4) - Cold Storage and Diaries with Chilling Plant	All Units	198	222
WBSEB SUPPLY :			
Rate - E (1) - WBSEB 132 KV	All Units	--	206.86
Rate - E (2) - WBSEB 33 KV	All Units	--	206.86
Rate - E (3) - WBSEB 11 KV	All Units	--	221.24
Inter Plant Transfer	All Units	--	221.24

8.3 The associated conditions of the tariff schedule will be as follow: -

8.3.1 The load factor rebate shall continue to be the same at 10 paise / kwh if PLF is above 55% and rebate shall be applicable on quantum of energy consumed in excess of the energy corresponding to 55% load factor.

8.3.2 For the consumers under TOD metering the peak period (5 P.M to 11 P.M) energy charge will be 40% more than normal time (6 A.M to 5 P.M) energy charge and off peak period (11 P.M to 6 A.M of the following day) energy charge will be less than normal energy charge by 34% of normal period energy charge.

8.3.3 The demand charge for any month shall be based on maximum demand recorded during the month or 75% of the contract demands whichever is higher. In case KW demand is recorded in place of KVA demand then the demand charge rate in KVA as given in the tariff schedule is to be determined by considering power factor of 0.85.

In the event of drawal of power by the bulk consumers under rate A (1a), A (1b), A (2), A (3) and A (4) exceeding its contract demand the demand charge for non TOD consumers shall be 1.5 times the rate specified in the tariff schedule and shall be applicable to the demand drawn in excess of contract demand which will be in addition to the demand charge paid on total recorded maximum demand at the rate specified in the tariff schedule.

For consumers under TOD metering:

Drawal of power in excess of sanctioned contract demand will attract the following additional charges for excess demand. These additional charges shall be in addition to the demand charge calculated on the basis of total amount of maximum demand recorded during the billing period and at a rate specified in the tariff schedule.

Period	Additional demand charge
During normal period (6 A.M. to 5 P.M.)	20% extra on the quantum of demand which is in excess of sanctioned contrct load.
During peak period (5 P.M. to 11 P.M.)	50% extra on the quantum of demand which is in excess of sanctioned contrct demand.
During off-peak period (11 P.M. to 6 A.M. of the following day)	Nothing extra upto 30% excess demand. 20% extra on the quantum of demand which is in excess of 130% of the contracted demand.

8.3.4 For consumption under rate C (3) minimum charge will be levied as follows: -

Single Phase supply:

(a) For consumers with average consumption (during last 3 month) below 60 kWh per month - Rs.15 /service connection/month.

(b) For consumers consuming average 60 kWh (during last 3 months) and more per month – Rs.40 / service connection/month.
There will be no minimum charge for consumers under rate C (1), C (2), C (4), C (5), D (2) and D (3). For all other consumers minimum charge will continue at the existing level.

8.3.5 There will be no fixed charge for the consumers under rate C (3) domestic LT, commercial LT and industrial LT consumers.

8.3.6 Late payment surcharge at the prevailing rate of 1.25% of the billed amount will be payable by the HV consumers. Late payment surcharge for low and medium voltage consumers will be levied as follows: -

(a) Surcharge @ 6 paise / kWh for a delay upto 60 days from the due date of payment.

(b) Surcharge @ 10 paise / kWh for a delay exceeding 60 days from the due date of payment.

8.3.7 Power factor rebate for HT bulk consumers @ 0.5% on energy charge for every 1% increase in power factor above 90% subject to a ceiling of 2.5%.

Surcharge on power factor @ 0.5% on energy charge for every 1% fall in power factor below 85% subject to a ceiling of 2.5%.

There will be no rebate/surcharge for power factor between 85% & 95%.

8.3.8 Miscellaneous charges – All existing charges relating to meter rental, meter testing, meter replacement etc. shall continue except for the following for which the charges are given below:

Meter rent for Electronic Meter HT and LT should be Rs.1200 per month.
Charges for testing the meter (the property of the supplier) at the request of the consumer, if proved to be correct within the limits laid down by the Indian Electricity Rules:

(a) Single Phase Meter	Rs.200
(b) Three Phase Meter	Rs.300
(c) HT Meter	
(i) KWH Meter	Rs.500
(ii) RKVAH Meter	Rs.500
(iii) KVAH Meter	Rs.500
(iv) Trivector Meter/TOD Meter/Static Meter	Rs.2000

8.3.9 The Disconnection and Reconnection charges will be as follows: -

Sl.No.	Category	Disconnection Charge (Rs.)	Reconnection Charge (Rs.)
(i)	High Voltage Consumer	300	600
(ii)	Industrial, Irrigation and Public Centre (L&M Voltage)	100	300
(iii)	Commercial & Domestic consumer (L&M Voltage)	80	100

8.3.10 Statutory levies like electricity duty or any other taxes, duties imposed by the competent authority shall be extra.

8.3.11 The Commission proposes to give certain directives to DPL in respect to tariff related subject, metering arrangement and operational matters. They are as follows: -

(a) DPL shall make full efforts to bring all HT consumers under TOD metering. Licensees shall write appropriately to the consumers of the above group explaining to them the features of TOD metering system and encouraging them to opt for the same.

(b) DPL shall also submit a scheme for introducing a system of pre-paid metering to the Commission for the latter's consideration within 6 months. The scheme shall form a part of next tariff revision petition.

(c) In terms of the provisions of the recently declared National Tariff Policy, availability based tariff is to be introduced at the State level within a year. The generating companies and the distribution licensees including DPL are directed to submit a report within 3 months outlining as to how ABT in respect of bulk exchanges among the licensees and in respect of supply to the bulk consumers with contracted demand of 5 MVA and above should be introduced. A report shall inter-alia include the participation of DPL in the ABT mode of operations and commercial treatment including merit order despatch, grid discipline etc. This report should also form a part of next tariff revision petition.

(d) DPL shall also give its opinion in regard to the introduction of differential rates of fixed charges for peak and off peak hours for better management of load. This opinion along with justifications and suggestions shall be intimated to the Commission by June 2005.

(e) DPL is advised to actively promote and explore the possibilities of purchase of power from renewable non conventional sources of energy like wind, bio mass, solar, municipal and industrial wastages and co generation sources like steel plants, sponge iron plants, coke oven complexes etc. and progress made in this regard is to be reported back to the Commission by the end of October 2005. The report shall also form a part of next tariff revision petition in the tariff order of 2006-07. The Commission may in terms of the Section 86(1)(e) of Electricity Act 2003 specify the quantum of such energy from renewable, non-conventional or co generation sources as a percentage of total sales of energy in the distribution licensees' area. After this, each year the share of electricity from co generation and renewable non-conventional energy shall be progressively increased in line with National Electricity Policy.

(f) Action towards conservation of energy by adopting energy efficient process, demand side management and by using energy efficient gadgets should be implemented with high priority.

(g) Periodic energy audits shall be undertaken by all utilities and licensees immediately in their establishments like power plants, substations etc. DPL shall send a status report on this matter by the end of October 2005 and that report should form a part of next tariff petition.

(h) DPL should also approach its consumers particularly bigger ones for ensuring energy auditing and energy conservation measures.

(i) DPL shall organize awareness programme among its working personnel particularly with reference to standard of performance of the licensees and various other requirements of the Electricity Act 2003 and Regulations of this Commission made thereunder so as to ensure the DPL's own employees learn of this requirement and conduct their official business strictly in terms of the provisions of the Act and the Regulations. Emphasis must be given to redressal of consumers' complaints within given time in accordance with the Act and Regulations. A status report on the matter should be submitted along with next tariff petition.

8.3.12 Above tariff shall be applicable for power supply from 1st April 2005 and shall remain in force for a period of one year unless amended or revoked or extended beyond the said period of one year.

8.3.13 The fuel cost shall be subject to adjustment periodically as per the Fuel Cost Adjustment (FCA) formula as given in Schedule 4 of the Commission's Tariff Regulation, 2003. It is, however, made clear that for carrying out such adjustment, only the basic fuel cost plus applicable taxes and levies plus railway freight or road transportation cost, wherever required, will be considered.

8.3.14 The Commission has fixed the tariffs in terms of this order in terms of provisions of Section 64(3)(a) read with Section 62(1) & 62(3) of the Electricity Act, 2003 and keeping in view the provisions of Sections 61, 172, 173, 174 and 185 of the Electricity Act 2003.

8.3.15 It is open to the State Government to grant any subsidy to any consumer or any class of consumer in the tariff determined by the Commission. If at all any such subsidy under the provisions of the Act is intimated to the DPL and to the Commission by the Government of West Bengal with clear indication of the consumer or class of consumers to be subsidized and the amount of the subsidy is paid in advance as has been specified, the tariff of such consumer and / or the class of consumers shall be deemed to have been reduced accordingly as has been indicated by the Government. However, such direction of the Government shall not be operative till the payment is made by the Government in accordance with the provisions of the Act and Regulations made thereunder, and the tariff as fixed by the Commission shall remain applicable.

8.3.16 DPL will present to the Commission a gist of this order along with the names of at least three leading dailies (at least one of which will be in English and the rests in Bengali) within two working days from the date of receipt of this order for approval of the Commission and on receipt of the approval shall publish the approved gist in those newspapers within five days from the date of receipt of the approval of the Commission.

8.3.17 All the reports called for in the above paragraphs are in addition to those which are statutorily required, either by the Act, or by any of the Regulations thereunder, or by both for the purpose of submission of tariff revision petition.

Sd/- 29.03.2005 Sd/- 29.03.2005

PRITITOSH RAY **S. N. GHOSH**
MEMBER (TECHNICAL) **CHAIRPERSON**

DATE: 29.03.2005

Corrigendum to the Tariff Order dated 29.03.2005 of the Commission in respect of DPL in TP – 18 / 05-06

Correction of typographical errors / apparent mistakes in the Tariff Order dated 29.03.2005 of the Durgapur Projects Limited for the year 2005-06

Page No.	Nomenclature	Existing Description	Corrected Description
37	Rate - C(3) - Domestic Purpose	Upto 25 Units	Upto 25 Units
		Next 50 Units	Next 25 Units
		Next 100 Units	Next 50 Units
		Next 300 Units	Next 200 Units
		Above 300 Units	Above 300 Units
38	Rate - C(4) - Commercial Purpose	Upto 60 Units	Upto 60 Units
		Next 100 Units	Next 40 Units
		Next 300 Units	Next 200 Units
		Next 300 Units	Next 300 Units

Sd/- 31.03.2005 Sd/- 31.03.2005

(P. Ray) **(S. N. Ghosh)**
Member (Tech) **Chairperson**

Corrigendum to the Tariff Order dated 29.03.2005 of the Commission in respect of DPL in TP – 18 / 05-06

[Correction of Typographical errors / apparent mistakes (beyond those that have been considered on 31.03.2005)]

Correction of typographical errors/apparent mistakes in the Tariff Order dated 29.03.2005 in respect of Durgapur Projects Ltd for the year 2005-06.

Page No.	Nomenclature	Existing Description	Corrected Description
38	Paragraph 8.3.1	"The load factor rebate shall continue to be the same at 10 paise / kwh if PLF is ....."	"The load factor rebate shall continue to be the same at 10 paise / kwh if load factor is ....."
41	Topmost sentence of the page	"There will be no rebate / surcharge for power factor between 85% and 95%"	"There will be no rebate / surcharge for power factor between 85% and 95%"

Sd/- 01.04.2005 Sd/- 01.04.2005

(P. Ray) **(S. N. Ghosh)**
Member (Tech) **Chairperson**

Previous