



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 38 / 13 – 14

**IN RE THE APPLICATION OF THE
WEST BENGAL STATE ELECTRICITY
DISTRIBUTION COMPANY LIMITED
FOR ANNUAL PERFORMANCE REVIEW
FOR THE FINANCIAL YEAR 2012 – 2013.**

DATE: 12.06.2014



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, (hereinafter referred to as the “Tariff Regulations”) the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short ‘APR’). The West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”) introduced Multi Year Tariff (in short “MYT”) procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performance and projected performance under different factors / heads of accounts. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, the West Bengal State Electricity Distribution Company Limited (in short ‘WBSEDCL’) submitted their application of APR to the Commission on 29th November, 2013 for the financial year 2012 – 2013 followed by submission of draft gist of their application on 03.12.2013. It provided most of the related data / information as required for an APR in the specified proforma along with the copy of its audited annual accounts for the concerned year. WBSEDCL has, however, submitted further information / data on 21.02.2014 against the Commission’s letter dated 13.01.2014 and 12.02.2014. The application was numbered as APR-38/13-14.
- 1.2 The instant application of WBSEDCL is their second application for the APR of the third control period. The adjustments, as were found necessary on review of the performance of the previous years, were effected while determining the amount recoverable through tariff during the years following the years of such review. Similarly, the adjustments, as may arise out of the review of the instant application for 2012 – 2013 will be considered for giving effect while determining the amount of revenue recoverable through tariff of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.



Order on APR of WBSEDCL for the year 2012-13

- 1.3 WBSEDCL has submitted their application for Annual Performance Review for 2012 – 2013 in terms of the provision contained in the Tariff Regulations.
- 1.4 APR is to cover the annual fixed costs and fixed charges that is to be allowed to the licensee as per the Tariff Regulations, amended.
- 1.5 The APR for the year 2012 – 2013 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable allowed to WBSEDCL through the ARR of the tariff order for the year 2012 – 2013, vis-à-vis the actuals as per the audited accounts. The instant application of WBSEDCL for the year 2012 – 2013 is being viewed in the subsequent parts of this order.
- 1.6 In terms of regulation 2.6.12 of the Tariff Regulations, WBSEDCL submitted a draft gist of the APR application for the year 2012 – 2013 on 03.12.2013. The application of APR of 2012 – 2013 of WBSEDCL submitted on 29.11.2013 along with the further data / information submitted on 21.02.2014 against the Commission's letter dated 13.01.2014 and 12.02.2014 was admitted by the Commission on 26.02.2014 in Case No. APR-38/13-14. The Commission also approved the gist of the APR application submitted by WBSEDCL. After admission of the application WBSEDCL was directed to publish the approved gist of the application in newspapers and also in their website. Accordingly, the gist of the application was published simultaneously in 'Sambad Pratidin', 'Aajkal', 'Sanmarg; and 'The Hindu. Business Line' on 04.03.2014 inviting objections and suggestions from all interested parties and members of the public. The due date for submission of objections and suggestions by the interested parties at the office of the Commission was 28.03.2014.
- 1.7 No objection and suggestion on the application of WBSEDCL for APR in respect of the year 2012 – 2013 was received by the Commission within the stipulated time i.e. 28.03.2014.



CHAPTER – 2 FIXED CHARGES

2.1 The Uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the ARR for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed except in the specific cases that has been mentioned in the Tariff Regulations. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actual based on the audited accounts of WBSEDCL is being taken up hereunder one by one.

2.2 **Transmission Charges Payable to Central Transmission Utility (CTU):**

2.2.1 After making necessary adjustment of timely payment of rebate of Rs. 675.00 lakh from the gross amount of transmission charges of Rs. 28885.00 lakh for the year 2012-2013 which is a fixed charge, the net amount of Rs. 28210.00 lakh was paid by WBSEDCL during the year 2012 – 2013 to Power Grid Corporation of India Limited (in short 'PGCIL'), the Central Transmission Utility (in short "CTU"). Besides, WBSEDCL paid Rs. 1365.00 lakh to PGCIL during the year 2012 – 2013 as arrear charges due to rate variation. Thus the total CTU charges paid by WBSEDCL to PGCIL during the year 2012 – 2013 come to Rs. 29575.00 lakh (Rs. 28210.00 lakh + Rs. 1365.00 lakh) and the same amount has been claimed by WBSEDCL in their APR application for the year 2012 – 2013. Besides, WBSEDCL paid Rs. 13019.00 lakh as transmission charge / open access charge included in the power purchase cost but not considered in Fuel and Power Purchase Cost Adjustment (FPPCA) order. The same is now considered in this APR order for 2012 – 2013 as it is being a nature of fixed cost. The Commission, thus, admits the



amount of Rs. 42594.00 lakh (Rs. 29575.00 lakh + Rs. 13019.00 lakh) in the APR for 2012 – 2013 under distribution function.

2.3 System Operation Charges payable to POSOCO:

2.3.1 WBSEDCL paid Rs. 402.00 lakh for the year 2012 – 2013 and Rs. 9.00 lakh on account of arrear totaling to an amount of Rs. 411.00 lakh (Rs. 402.00 lakh + Rs. 9.00 lakh) on account of system operation charges to Power System Operation Corporation (POSOCO) during the year 2012-2013. The said amount of Rs. 411.00 lakh which is a fixed cost has now been admitted by the Commission in APR for 2012-2013 and the entire amount is allocated to distribution function.

2.4 Transmission Charges Payable to State Transmission Utility:

2.4.1 After making necessary adjustment of timely payment rebate of Rs. 1562.00 lakh from the gross fixed charges of Rs. 83749.00 lakh, the net amount of Rs. 82187.00 lakh was paid by WBSEDCL to West Bengal State Electricity Transmission Company Limited (in short 'WBSETCL'), the State Transmission Utility (in short "STU"), as notified by the State Government under sub-section (1) of section 39 of the Electricity Act, 2003, for the year 2012 – 2013. In the tariff order of WBSETCL for the year 2012 - 2013, the Commission admitted the Annual Transmission Charge (in short 'ATC') of WBSETCL at Rs. 83757.38 lakh which was payable by WBSEDCL as a sole user of the state transmission system. Any under-recovery/ over-recovery for the year 2012 – 2013 was to be recovered by WBSETCL in installments. The amount of Rs. 83757.38 lakh was also considered in the ARR of WBSEDCL on account of STU charges for the year 2012 – 2013. The Commission thus considers STU charges of Rs. 82187.00 lakh as actually paid and claimed by WBSEDCL in their APR application for the year 2012 – 2013 as STU charges. The said amount of Rs. 82187.00 lakh is admitted by the Commission in the APR for 2012 – 2013 and allocated to distribution function.



2.5 Charges Payable to Eastern Regional Power Committee (ERPC) and West Bengal State Load Despatch Centre (SLDC):

2.5.1 An amount of Rs. 15.00 lakh was paid to Eastern Regional Power Committee (in short "ERPC") by WBSEDCL against the admitted amount of Rs. 15.75 lakh in ARR in the tariff order for 2012 – 2013. WBSEDCL has also claimed Rs. 15.00 lakh under this head in their APR application for 2012 – 2013. The entire amount of Rs.15.00 lakh is admitted in the APR for the year 2012 – 2013 and is allocated to the distribution function.

2.5.2 WBSEDCL paid Rs. 2767.00 lakh to SLDC in the year 2012 – 2013 as SLDC Charges as per tariff order in respect of WBSETCL. The Commission admits the amount of Rs. 2767.00 lakh paid by WBSEDCL as SLDC charges in the APR for 2012 – 2013 and the entire amount is allocated to distribution function.

2.6 Employees' Cost:

2.6.1 Employees' costs including the provisions for terminal benefits are the uncontrollable elements of fixed charges. The Commission allowed a total amount of Rs. 93206.00 lakh in the ARR for the year 2012 – 2013 in the tariff order dated 01.12.2012 in respect of WBSEDCL.

2.6.2 WBSEDCL has claimed Rs. 96269.00 lakh on account of employee cost in their APR application for 2012 – 2013. The employee cost of Rs. 96269.00 lakh as claimed by WBSEDCL is inclusive of payment of Rs. 156.00 lakh to the employees related to prior period made in the year 2012 – 2013 for delayed pay fixation.

2.6.3 It is seen from the Note 24 and Note 27 (F) to the audited accounts for the year 2012 – 2013 and the submission made by WBSEDCL that the total amount chargeable to revenue account of WBSEDCL towards employees' cost came to Rs. 96269.00 lakh [(Rs 96125.00 lakh + Rs. 156.00 lakh) – 12.00 lakh] including terminal benefit and net of capitalization. The service



tax on staff welfare expenses for an amount of Rs. 12.00 lakh are being dealt separately under the head of expenses on rates and taxes.

2.6.4 The amount towards employee cost of Rs. 96269.00 lakh as claimed by WBSEDCL is admitted by the Commission in the APR for 2012 – 2013, out of which Rs. 3219.12 lakh is for generation function and Rs. 93049.88 lakh is for distribution function as per allocation given by WBSEDCL.

2.7 Operation & Maintenance Expenses

2.7.1 Operation & Maintenance (O&M) expenses generally fall under following two major categories:

- (I) Repairs and Maintenance including Cost of Consumables and
- (II) Administrative and General Expenses.

2.7.2 Repair and maintenance expenses and administrative and general expenses for distribution and transmission systems are categorized in table 2.5.5-1 of the Tariff Regulations as controllable. The total amount of (O&M) expenses for distribution function as allowed in the tariff order for the year 2012 – 2013 was Rs. 27399.03 lakh.

2.7.3 While determining the ARR of WBSEDCL for all the three ensuing years under the third control period in the tariff order for the years 2011 – 2012 and 2012 – 2013, the Commission admitted Rs. 31877.44 lakh under the head 'Operation and Maintenance (O&M) expenses' for the year 2012 – 2013. In function wise breakup of the 'O&M expenses; the Commission allowed Rs. 4478.41 lakh in a composite manner for generation function as per norms which include the administrative and general expenses and expenses for repair and maintenance in the area of generation segment. Since the O&M expenses under generation was admitted as per norms and as it is a controllable item, the Commission admits Rs. 4478.41 lakh as allowed in the tariff order under the head of O&M expenses for generation function also in the APR for 2012 – 2013 under the head O&M expenses for generation function.



2.7.4 The Commission allowed head wise expenditure of O&M expenses of Rs. 27399.03 lakh under distribution function which include Rs. 17709.05 lakh for repair and maintenance (in short 'R&M'). It is found from the submission of WBSEDCL that the actual expenses under Repair and Maintenance head in distribution system during the year 2012 – 2013 was Rs. 21500.49 lakh which is higher than that allowed in tariff order. WBSEDCL in their submission has stated that during the year 2012 – 2013 distribution network of WBSEDCL has increased by 29.89%. In the Tariff order for 2012 – 2013, the Commission while determining the allowable expenditure under repair and maintenance head considered the annual growth rate in distribution network in terms of distribution line in ckt-km during third control period in the range of 2% as projected by WBSEDCL in their MYT application. The actual growth in distribution network during the year 2012 – 2013 was 29.89% which is 27.89% more than the admitted annual growth of 2% considered in the Tariff order for 2011-12 and 2012 – 2013. It is submitted by WBSEDCL that considering such growth of 29.89% along with inflationary trend of 10.39% the actual expenditure of Rs. 21500.49 lakh for R&M including consumables is quite reasonable in comparison with the actual expenditure of Rs. 19324.18 lakh incurred under the head during the year 2011 – 2012 and admitted in the APR for 2011 – 2012. The Commission, considering the inflationary trend as well as expansion rate of 29.89% in distribution network, has viewed the claimed amount of Rs. 21500.49 lakh in APR for 2012 – 2013 in terms of clause (v) of regulation 2.6.10 of the Tariff Regulations for consideration of the excess amount claimed under the head upto a limit of 'A' –

Where $A = (\text{Return on Equity (ROE) for the year} + N_UI_R - \text{disallowance of excess power purchase cost for distribution loss over the normative distribution loss})$.

Such 'A' determination is also subject to the following condition:

- i) $A \geq 0$
- ii) $N_UI_R \geq 0$



Where N_{UI_R} = Amount receivables against UI over the year –
Amount payable over the year.

Accordingly, the Commission has computed the excess expenditure under the head of repair and maintenance in the light of clause (v) of regulation 2.6.10 of the Tariff Regulation as follows:

- i) Return on Equity (RoE) for the year = Rs. 39724.91 lakh
- ii) N_{UI_R} = Amount receivable against UI over the year – Amount payable over the year.
= Rs. 7574.00 lakh – Rs. 9037.00 lakh
= Rs. (-) 1463.00 lakh

[Note 21(B) and Note 23 to the Annual Accounts 2012 – 2013 may be referred to]

Thus, N_{UI_R} is considered as zero.

- iii) Disallowance of excess power purchase cost for distribution loss over normative distribution loss (Refer para 2.3.6 of the FPPCA order dated 04.03.2014 in Case no. FPPCA-66/13-14) Rs. 42213.60 Lakh

$$A = \text{Rs. } (39724.91 + 0.00 - 42213.60) \text{ lakh}$$
$$= \text{Rs. } (-) 2488.69 \text{ lakh}$$

Thus, 'A' is considered as zero

2.7.5 The actual expenditure under the head 'R&M' in distribution is more than the amount admitted in ARR for 2012 – 2013 under the head by Rs. 3791.44 lakh. Since the 'A' above is considered as zero, the Commission considers not to admit any excess expenditure over the expenditure admitted in ARR under this head. Now the Commission views the expenses on other head of O&M expenses in distribution. For other heads of O&M expenses in



distribution the expenses that have been admitted as controllable item under other heads of (O&M) expenses are Rs. 389.90 lakh, Rs. 269.74 lakh, Rs. 159.24 lakh, and Rs. 8871.10 lakh against rent, legal charges, audit fee and other administrative and general expenses respectively totaling to an amount of Rs. 9689.98 lakh in the ARR for 2012 – 2013. The actual expenses on rent, legal charges, audit fees and other administrative and general expenses as claimed by WBSEDCL and as found in the annual accounts for 2012 – 2013 are Rs. 849.00 lakh, Rs. 300.00 lakh, Rs. 165.00 lakh and Rs. 9224.17 lakh respectively which shows that the actual expenses in all the sub heads of (O&M) expenses for distribution are higher than the amount admitted in the ARR for 2012 – 2013 for the respective subheads. The Commission admits Rs.17709.05 lakh under repair and maintenance head in distribution system as admitted in the ARR for 2012 – 2013. The Commission admits the same amount as admitted in the ARR for 2012 – 2013 in the APR for 2012 – 2013 against each subhead of administrative and general expenses under (O&M) expenses for distribution which comes to Rs. 9689.98 lakh (Rs. 389.90 lakh + Rs. 269.74 lakh + Rs. 159.24 lakh + Rs. 8871.10 lakh) as controllable item.

2.7.6 Summing up the decision in paragraphs 2.7.3, 2.7.4 and 2.7.5 above the O&M expenses of WBSEDCL as found admissible in APR for 2012 – 2013 and function wise breakup of that amount are as below:

Sl. No.	Particulars	As allowed in APR for 2011 -12		
		Generation (Rs. in lakh)	Distribution (Rs. in lakh)	Total (Rs. in lakh)
1	Rent	4478.41	389.90	
2	Legal charges		269.74	
4	Audit fees		159.24	
5	Other administrative and General expenses		8871.10	
6	Repair & Maintenance		17709.05	
	Total	4478.41	27399.03	31877.44



The Commission, thus, admits Rs. 31877.44 lakh as (O&M) expense in APR for 2012 – 2013 against the claim of WBSEDCL for Rs. 36724.07 lakh in the APR application for 2012 - 2013.

2.8 Cost of Outsourcing:

2.8.1 In the tariff order for 2012 – 2013 the Commission admitted Rs. 18284.95 lakh under the head 'cost of outsourcing' in the ARR for 2012 – 2013.

2.8.2 WBSEDCL in their APR application for 2012 – 2013 has submitted the details of the expenditure incurred by them during the year 2012 – 2013 in different sub-heads of outsourcing cost as admitted by the Commission in the Tariff Order for 2012 – 2013. WBSEDCL's submission and decision of the Commission are as follows:

a) Line maintenance (excluding manpower) under distribution head:

As per submission of WBSEDCL the actual expenditure under this sub-head was Rs. 2665.00 lakh against the admitted amount of Rs. 2912.47 lakh in the tariff order inspite of increased distribution network and consumer strength. The expenditure under this sub-head, an element of 'cost of outsourcing (excluding manpower)', is a controllable item as per Tariff Regulations. The Commission considers the actual expenditure of Rs. 2665.00 lakh being less than the amount admitted in the tariff order for 2012 – 2013 and admits the same in the APR for 2012 – 2013.

b) Sub-station maintenance (excluding manpower) under distribution:

The expenditure of sub-station maintenance (excluding manpower) under distribution is an element of 'cost of outsourcing (excluding manpower)', and considered as a controllable item. As per submissions of WBSEDCL the actual expenditure under this sub-head during the year 2012 – 2013 was Rs. 1009.00 lakh as against the admitted amount of Rs. 452.54 lakh in the tariff order in view of increase in distribution sub-station with increase in distribution network. The Commission views the actual expenditure under this sub-head in terms of clause (iv) of



regulation 2.5.5 of the Tariff Regulations as the actual expenditure for line maintenance (excluding manpower) under distribution, another item under the head of 'cost of outsourcing (excluding manpower)' is less than the amount admitted in the ARR for 2012 – 2013. Thus, the Commission admits the actual expenditure Rs. 1009.00 lakh under this sub-head in the APR for 2012 – 2013 subject to the conditions of clause (iv) of the regulation 2.5.5 of the Tariff Regulations.

c) Man power for line maintenance under distribution:

For operation and maintenance of HT lines under distribution, WBSEDCL has engaged personnel of different categories through outsourcing agencies and wages for such personnel of outsourcing agencies are revised from time to time with the revision of minimum wages by the Government as per terms and conditions of the agreement of those outsourced activities. The manpower related expenditure for line maintenance under distribution head is an uncontrollable item. The actual expenditure under this sub-head during the year was Rs. 5009.00 lakh as per audited annual accounts for 2012 – 2013 as against the admitted amount of Rs. 2622.07 lakh in the tariff order. The Commission admits the amount of Rs. 5009.00 lakh in APR for 2012 – 2013 as it is an uncontrollable item.

d) Manpower for sub-station maintenance under distribution:

For operation and maintenance of distribution sub-station WBSEDCL has also engaged personnel of different categories through outsourcing agencies and wages for such personnel of outsourcing agencies are revised from time to time with the revision of minimum wages by the Government as per terms and conditions of the agreement of those outsourced activities. The man power related expenditure for sub-station maintenance under distribution is an uncontrollable item. The actual expenditure under this sub-head during the year 2012-13 was Rs. 1768.00 lakh as per audited annual accounts and the Commission admits the same in the APR for 2012 – 2013 as against the admitted



amount of Rs. 824.01 lakh in the tariff order, being an uncontrollable item.

- e) WBSEDCL has also engaged outsourcing agencies excluding line maintenance and distribution sub-station maintenance under the following sub-heads and claimed expenditure for those activities in their APR application for 2012 – 2013.

- i) Security Expense under distribution:

For guarding of different units of WBSEDCL under distribution, security personnel is deployed through private security agencies and wages of such security personnel is revised from time to time with the revision of minimum wages by the Government as per terms and conditions of the order. An amount of Rs. 1853.72 lakh was admitted under this sub-head in the tariff order. The actual expenditure under this sub-head as per audited annual accounts for 2012 – 2013 was Rs. 3990.00 lakh. After deduction of expenditure of Rs. 193.27 lakh on security head under generation, an amount of Rs. 3796.73 lakh (Rs. 3990.00 lakh – Rs. 193.27 lakh) has been claimed by WBSEDCL and the same is admitted by the Commission in the APR for 2012 – 2013 as an uncontrollable item as per Tariff Regulations.

- ii) Call Centre (ZCC/CRC) as per SOP Regulation under distribution:

The Commission admitted an amount of Rs. 1469.49 lakh in the ARR for 2012 – 2013 as expenditure under this sub-head. For operation of call centre (ZCC/CRC) as per requirement of SOP Regulations personnel are engaged in five ZCC at Kolkata, Burdwan, Midnapore, Baharampur and Siliguri and at Customer Care Centres (CCC) to man in urban areas for 24 hours and in rural areas for 16 hours a day through outsourcing agencies and wage of such personnel is revised from time to time with the minimum wages by the Government as per terms and conditions of the order placed with them. The actual expenses under this sub-head as per audited annual accounts for 2012 – 2013 was Rs. 1552.00 lakh and the



same is admitted by the Commission in the APR for 2012 – 2013 as an uncontrollable item as per Tariff Regulations.

iii) Mobile Maintenance Service (MCSU) under distribution head:

For Mobile Maintenance Service (MCSU) under distribution, WBSEDCL engaged LT maintenance personnel through outsourcing agencies in shifts for CCCs for LT maintenance work in accordance with the SOP Regulations and wages of such personnel is revised time to time with the revision of minimum wages by the Government as per terms and conditions of the order placed with them. The actual expenses for MCSU under distribution as per annual accounts was Rs. 2018.00 lakh during the year 2012 – 2013 and the same is admitted by the Commission in the APR for 2012 – 2013 as against the amount of Rs. 2040.18 lakh admitted in the tariff order, being an uncontrollable item as per Tariff Regulations.

f) Data Warehousing expenses under distribution head:

In the tariff order for 2011-12 and 2012 – 2013 an amount of Rs. 9.86 lakh was admitted by the Commission in the ARR for 2012 – 2013 as expenditure under this sub head of Data Warehousing, an element of 'cost of outsourcing (excluding manpower)' which is a controllable item. As per annual accounts for 2012 – 2013 the actual expenses under the head was Rs. 80.00 lakh. Since the actual expenditure of some other elements of 'cost of outsourcing (excluding manpower)' is less than the amount admitted for those elements in the tariff order, the Commission considers the actual expenses under this sub head in terms of clause (iv) of the regulation 2.5.5 of the Tariff Regulations in APR for 2012 – 2013 subject to the conditions stipulated in the said clause.



g) Back office Job under Distribution head:

In the tariff order for 2011 – 2012 and 2012 – 2013 an amount of Rs. 155.00 lakh was admitted by the Commission in the ARR for 2012 – 2013 under this sub-head. This expenditure of back office job under distribution is an element of cost of outsourcing (excluding manpower), which is a controllable item. The actual expenses as per annual accounts for 2012 – 2013 was Rs. 408.00 lakh. After deducting the expenses related to generation function, the expenditure for distribution function under this sub-head comes to Rs. 289.14 lakh (Rs. 408.00 lakh – Rs. 118.86 lakh). Since the actual expenditure of some other elements of 'cost of outsourcing (excluding manpower)' is less than the amount admitted for those elements in the tariff order, the Commission considers the actual amount of expense under this sub head in terms of clause (iv) of regulation 2.5.5 of the Tariff Regulations in APR for 2012 – 2013 subject to the conditions as stipulated in the said clause.

h) Franchisee Cost under distribution head:

For reading, billing and collection of revenue from the consumers of New Town areas, WBSEDCL engaged New Town Electric Supply Company (NTESC), as franchisee and service charges are paid to NTESC based on the collected amount from the consumers of these areas as per terms and conditions of the agreements between WBSEDCL and NTESC. An amount of Rs. 268.61 lakh was considered in ARR for 2012 – 2013 in the tariff order for 2011 – 2012 and 2012 – 2013. As per annual accounts for 2012 – 2013 the actual expenses for franchisee charge during the year was Rs. 457.00 lakh. This expenditure of franchisee cost under distribution is an element of 'cost of outsourcing (excluding manpower)' which is a controllable item. Since the actual expenditure of some other elements of 'cost of outsourcing (excluding manpower)' is less than the amount admitted for those elements in the tariff order, the Commission considers the actual



amount under this sub-head in terms of clause (v) of regulation 2.5.5 of the Tariff Regulations in the APR for 2012 – 2013 subject to the conditions as stipulated in the said clause.

i) Meter reading job under distribution head:

For meter reading and billing, WBSEDCL has engaged outsourcing agencies viz. a) self help group for meter reading and billing b) agencies for on spot reading and billing and pays service charges to those outsourced agencies as per terms and conditions of the order placed with them. WBSEDCL has also engaged outsourcing agencies for meter reading at all interconnection points of WBSEDCL with other licensees and pays service charge to them. The expenditure under this sub-head is an element of 'cost of outsourcing (excluding manpower)' which is a controllable item. The actual expenses as per annual accounts of WBSEDCL for the year 2012 – 2013 under this sub-head during the year was Rs. 3658.00 lakh as against the amounts of Rs. 4000.85.00 lakh admitted in ARR for 2012-13 in the tariff order. The Commission admits Rs. 3658.00 lakh under this sub-head in the APR for 2012 – 2013 as the actual expenditure is less than the admitted expenditure in the ARR.

j) Bill distribution job under distribution head :

WBSEDCL has engaged outsourcing agencies for delivery of the energy bill and defaulters' notices to the L&MV consumers and pays service charges to those agencies as per terms of the order placed with them. The Commission admitted Rs. 1415.45 lakh under this sub-head in the tariff order for 2012 – 2013. The actual expense during the year was Rs. 1077.00 lakh as per the audited annual accounts for 2012 – 2013 and the Commission considers to admit the same in the APR for 2012 – 2013 as the actual expenditure under this subhead is less than the amount admitted in ARR for 2012 – 2013 keeping in view the provisions made in clause (iv) of regulation 2.5.5 of the Tariff Regulations.



k) Collection franchisee under Distribution head:

In order to meet the provision of West Bengal Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2007 and to cope up with the increasing number of consumer, WBSEDCL has engaged franchisee for collection of revenue from the consumer, deposit of the collections to the Bank alongwith payment reconciliation. WBSEDCL pays service charges to those agencies on the basis of consumer served. WBSEDCL has also installed teller machine for collection of bill and pays service charges on the basis of number of consumers served to these outsourcing agencies. An amount of Rs. 260.61 lakh was admitted on this account in the ARR of WBSEDCL in tariff order for 2012 – 2013. WBSEDCL has submitted that the actual expense on this account is Rs. 1086.00 lakh as per annual accounts for 2012 – 2013 and has claimed the same amount in their APR application for 2012 – 2013. The Commission considers the actual expenditure of Rs. 1086.00 lakh claimed by WBSEDCL under this sub-head in terms of clause (iv) of the regulation 2.5.5 of the Tariff Regulations subject to the conditions of the said clause.

2.8.3 Total amount of actual cost of outsourcing excluding manpower under different subheads is Rs. 10321.14 lakh as against the total amount of admitted cost under those subheads in the tariff order for 2012 – 2013 of Rs. 9475.49 lakh. The Commission considers the total cost under the head 'cost of outsourcing excluding manpower' at Rs. 9475.49 lakh in terms of clause (iv) of the regulation 2.5.5 of the Tariff Regulations.

2.8.4 Summing up the decisions in para 2.8.1 to 2.8.3 above, the allocable amount under the head of cost of outsourcing thus comes to Rs. 23619.22 lakh [Rs. 14143.73 lakh for cost of outsourcing man power related + Rs. 9475.49 lakh for cost of outsourcing excluding man-power)] as follows :



Order on APR of WBSEDCL for the year 2012-13

Sl. No.	Particulars	Amount admitted in Tariff Order	Amount claimed in APR for 2012-13	Amount admitted in APR 2012-13
1	Man-power related cost for line maintenance	2622.07	5009.00	5009.00
2	Man-power related cost for Sub-station maintenance	824.01	1768.00	1768.00
3	Security Expenses	1853.72	3796.73	3796.73
4	Call Centre (ZCC/CRC)	1469.49	1552.00	1552.00
5	Mobile Maintenance Service (MCSU)	2040.18	2018.00	2018.00
6	Line maintenance (excluding man-power)	2912.47	2665.00	9475.49
7	Sub-station maintenance (excluding man- power	452.54	1009.00	
8	Data Ware Housing	9.86	80.00	
9	Back office job	155.10	289.14	
10	Franchisee Cost	268.61	457.00	
11	Meter reading job	4000.85	3658.00	
12	Bill distribution job	1415.45	1077.00	
13	Collection Franchisee	260.61	1086.00	
14	Total cost of outsourcing [Sum (1) to (7)] [Sum (1) to (13)]	18284.96	24464.87	23619.22
15	Cost of Outsourcing manpower related [sum (1) to (5)]	8809.47	14143.73	14143.73
16	Cost of Outsourcing excluding manpower [sum (6) to (7)]	9475.49	10321.14	9475.49

2.8.5 The Commission admits Rs. 14143.73 lakh under the head 'cost of outsourcing man power related' and Rs. 9475.49 lakh under the head 'cost of outsourcing excluding man power' in the APR for 2012 – 2013 against the claim of WBSEDCL for Rs. 14143.73 lakh and Rs 10321.14 lakh under those heads respectively in their APR application for 2012 – 2013. The entire amount has been considered for distribution function.

2.8.6 WBSEDCL in their APR application for 2011 – 2012 submitted that an amount of Rs. 215.00 lakh relating to collection franchisee had been booked under the sub-head 'bill distribution job' under distribution function in the annual accounts for 2011-12 inadvertently. WBSEDCL thus claimed Rs. 967.00 lakh in their APR application for 2011 – 2012 after deducting Rs 215.00 lakh from the expenditure of Rs. 1182.00 lakh booked in annual accounts 2001-12 under that sub-head. The expenditure under the sub-head being a controllable item the Commission after noting the anomalies highlighted by WBSEDCL admitted Rs. 1182.00 lakh in APR for 2011-12 without deducting the amount of Rs. 215.00 lakh for the time being in order to ensure better



visibility in comparison during APR, and directed WBSEDCL to rectify the anomalies in their annual accounts in the future years.

It is seen from the submission of WBSEDCL in their APR application for 2012 – 2013 and also from the audited annual accounts for 2012 – 2013 that the expenditure under the head is Rs. 1077.00 lakh during the year 2012 – 2013 which is less than the amount admitted in the APR for 2011 – 2012 under this head. The Commission thus considers to adjust Rs. 215.00 lakh the excess amount admitted in the APR for 2011 – 2012 as stated above from the gross revenue requirement to be admitted for 2012 – 2013 as shown in Annex-2A.

2.9 **Complaint Management Mechanism and Lease Rentals:**

2.9.1 The Commission admitted Rs. 520.10 lakh in the ARR for 2012 – 2013 as claimed by WBSEDCL in their Tariff application under the head 'Complaint Management Mechanism' related to discharge of their obligations under West Bengal Electricity Regulatory Commission (Standard of Performance of Licensees Relating to Consumer Services) Regulations, 2010, (in short 'SOP Regulation'). The Commission in the Tariff order for 2011 – 2012 and 2012 – 2013 also admitted the expenditure under this head as an uncontrollable item for each year of the third control period and not as a part of 'Administrative and General Expenses'. The actual expenditure under this head has been shown as Rs. 380.00 lakh in their Annual Accounts for the year 2012 – 2013. The Commission admits the amount of Rs. 380.00 lakh towards Complaint Management Mechanism being the expense incurred by WBSEDCL to fulfill the obligation of the above mentioned SOP Regulation in APR for 2012 – 2013 as an uncontrollable item. The entire amount is allocated to distribution function.

2.9.2 WBSEDCL had stated in their tariff application that to set up the complaint management mechanism as per requirement of SOP Regulations, MPLS-VPN (Multi Protocol Level Switching – Virtual Private Network) facility had been introduced in WBSEDCL since 2010 – 2011 for establishing and maintaining the communication net work for the purpose. The Commission admitted Rs. 2053.14 lakh under the head 'lease rental' which is an



uncontrollable item. WBSEDCL in their APR application for 2012 – 2013 has claimed Rs. 1666.00 lakh as per annual accounts for 2012 – 2013 on account of lease rentals of MPLS-VPN facility for maintaining the Complaint Management Mechanism against the amount of Rs. 2053.14 lakh admitted in ARR for 2012 – 2013. The Commission in the APR for 2012 – 2013 admits the amount Rs. 1666.00 lakh under the head 'Lease Rentals' in distribution.

2.10 Insurance Premium:

2.10.1 Insurance expenses have been categorized as a separate and uncontrollable item in the Tariff Regulations. The Commission admitted Rs. 94.31 lakh under the head 'insurance' in the ARR for 2012 – 2013. The actual expenditures totaling to Rs. 370.00 lakh as claimed by WBSEDCL as per their annual accounts for 2012 – 2013 has been admitted by the Commission, out of which Rs. 111.14 lakh is for generation function and Rs. 258.86 lakh is for distribution function as proposed by WBSEDCL in their APR application for 2012 – 2013.

2.11 Depreciation:

2.11.1 An amount of Rs. 40881.00 lakh has been claimed by WBSEDCL in Form E(B) of their APR application for 2012 – 2013 towards depreciation on fixed assets as against Rs. 36779.07 lakh allowed in the ARR for the year 2012 – 2013 in the tariff order of WBSEDCL for 2011 – 2012 and 2012 – 2013. In the Form – B of the APR application, it is found that the depreciation computed and chargeable to revenue account for the year 2012 – 2013 is Rs. 39622.00 lakh. WBSEDCL has also computed the prior period depreciation from 2009 – 2010 to 2011 – 2012 for addition of distribution asset which was commercially operated but not considered in the respective year for an amount of Rs. 1259.00 lakh..

2.11.2 In the compliance report submitted by WBSEDCL along with their APR application for 2011 – 2012, it was stated that WBSEDCL had capitalized assets of Rs. 41196.00 lakh brought into service in previous year but not added in the fixed assets in the year of operation. WBSEDCL had claimed the



depreciation considering those assets in their computation for the year 2011-12, which came to Rs. 34138.00 lakh. Besides, WBSEDCL had also claimed Rs. 1651.00 lakh on account of prior period depreciation for the years 2008-09, 2009-10 and 2010-11 for those assets which came into operation in earlier years but added into fixed assets in the year 2011-12. The Commission decided that since those are added in fixed assets only in 2011-12 the depreciation for the prior period as claimed by WBSEDCL would not be considered in the APR for 2011-12. The Commission similarly in the APR for 2012 – 2013 does not admit the arrear amount of depreciation for the prior period for an amount of Rs. 1259.00 lakh as claimed by WBSEDCL. It is seen from note – 26 to the annual accounts 2012 – 2013 that the depreciation for the year is Rs. 39622.00 lakh. The Commission admits an amount of Rs. 39622.00 lakh under the head depreciation in the APR for the year for 2012 – 2013. The function wise break-up of the amount allowed in the APR for 2012 – 2013 are as under:

Sl. No.	Function	Admitted amount in APR for 2012-13 (Rs. in lakh)
1	Generation	7441.00
2	Distribution	32181.00
	Total	39622.00

2.11.3 WBSEDCL is directed not to come up with such arrear claim of depreciation, decision on which had already been given by the Commission in the APR order for previous years, in any of their APR application for future year.

2.12 Bad Debts:

2.12.1 It has been observed from the audited accounts for the year 2011 – 2012 that WBSEDCL charged an amount of Rs. 227.00 lakh towards Bad Debts written off. In terms of regulation 5.10.1 of the Tariff Regulations, the Commission may allow such amount on this account as actually had been written off in the latest available audited accounts subject to a ceiling of 0.5% of the annual gross sales revenue. The total revenue from operation accounted for during the year 2012 - 2013 was Rs. 1447841.00 lakh out of which Rs.1358300.00



lakh pertained to sales to own consumers and licensee for the year. The Commission considers to admit Rs. 227.00 lakh in APR for 2012 – 2013 being less than 0.5% of Rs. 1358300.00 lakh, the gross sales revenue during the year, against Rs. 4.00 lakh considered in the tariff order for the year 2012 – 2013 and the entire amount has been considered for distribution function. The claim of WBSEDCL on account of bad debts written off was also Rs. 227.00 lakh in their application of APR for 2012 – 2013.

2.13 Interest on Capital Borrowings:

2.13.1 WBSEDCL has claimed the interest on capital borrowing for the year 2012 – 2013 at Rs. 40973.00 lakh (net of capitalization) after making adjustment of interest paid of Rs. 1778.00 lakh and interest income of Rs. 22.00 lakh related to prior period. It is seen from note 25 to the annual account for the year 2012 – 2013 the amount of interest on capital loan was Rs. 39217.00 lakh (net of capitalization). The details of the loan, interest on loan payable during the year has been shown in Form-C of the APR application. The interest payable during the year as shown in Form-C and also in the annual accounts are as follows.

Sl. No.	Particulars	Interest (Rs. in lakh)
1	Interest on Bond & Debenture (excluding Pension Bond)	11158.00
2	Interest on State Govt. Loan	18074.00
3	Interest on Loan from Commercial Bank	279.00
4	Interest on loan from REC Ltd	10753.00
5	Interest on loan from PFC Ltd	2360.00
6	Total	42624.00
7	Less: Interest capitalized	3407.00
8	Total Interest payable	39217.00

2.13.2 It is seen from the note 27.8 to the annual accounts for 2012 – 2013 that the operating expenses of previous year include Rs. 1778.00 lakh for interest expenses. It is also seen from note no. 27(F) to the annual accounts 2012 – 2013 that the prior period income includes Rs. 22.00 lakh as interest income



for prior period. It is not clear whether those prior period expenditure and income of interest on loan are related to capital borrowing or for short term loan. Thus the Commission does not consider the same and admits the interest on capital borrowing payable during the year 2012 – 2013 (net of capitalization) at Rs. 39217.00 lakh without making any adjustment for prior period as claimed by WBSEDCL.

2.13.3 The Commission admits the amount of Rs. 39217.00 lakh on account of interest on capital borrowing in APR for 2012 – 2013. The function wise break-up of the admitted amount are as under :

Sl. No.	Function	Admitted amount in APR for 2012 – 2013 (Rs. in lakh)
1	Generation	10573.00
2	Distribution	28644.00
	Total	39217.00

2.14 Interest on Pension Trustee Bonds:

2.14.1 An amount of Rs. 13005.00 lakh, as was provided in the ARR for the year 2012 – 2013 towards interest on 8.5% Pension Fund Bonds, remained unchanged and the same amount is admitted. However, the allocation of aforesaid admitted amount to the generation and distribution functions has been changed as per allocation claimed by WBSEDCL.

Sl. No.	Function	Admitted amount in APR for 2012 – 2013 (Rs. in lakh)
1	Generation	359.87
2	Distribution	12645.13
	Total	13005.00

2.15 Interest on Working Capital:

2.15.1 In the APR application for 2012 – 2013 WBSEDCL has submitted that the annual requirement of Working Capital as per Tariff Regulations worked out at Rs. 150310 lakh, which can not be met fully from the security deposit of permanent consumers i.e., Rs. 146441.00 lakh lying with WBSEDCL. It is



seen from the Note no. 5 to the annual accounts 2012 – 2013 of WBSEDCL that the security deposit lying with WBSEDCL at the end of the year 2012 – 2013 was Rs. 173670.00 lakh. WBSEDCL has submitted with a certificate from a Chartered Accountant that the security deposit from permanent consumers (excluding provisions for security deposit) in the year was Rs. 146441.00 lakh which could not meet their working capital requirement during the year and the interest on working capital has been claimed at Rs. 386.00 lakh in their APR application for the year 2012 – 2013. It is seen from the table in paragraph 19 of their submission that WBSEDCL held permanent security deposit along with provision as on 31.03.2013 for an amount of Rs. 161213.00 lakh and temporary security deposit of Rs. 12457.00 lakh totaling to Rs. 173669.00 lakh which is tallying with their audited annual accounts. It is not clear from the submission of WBSEDCL that what is provision in security deposit and the amount of such provision. The Commission, however, considers the permanent security deposit held by WBSEDCL for Rs. 146441.00 lakh as submitted by WBSEDCL with auditor's certificate.

2.15.2 The Commission has viewed the requirement of working capital as per provision of regulations 5.6.5.1 and 5.6.5.2 of the Tariff Regulations as Rs. 139867.76 lakh. Considering the security amount held by WBSEDCL for Rs. 146441.00 lakh, there was no further need of working capital by WBSEDCL during the year 2012 – 2013. Thus no interest on working capital is being admitted in the APR for 2012 – 2013. The computation of working capital requirement is given in annexure – 2B.

2.15.3 WBSEDCL shall submit a statement disclosing the actual security deposit held by them and the provision, if any, made in annual accounts in the APR for ensuing future years.

2.16 Interest on Consumers' Security Deposit:

2.16.1 The total amount of consumers' security deposits lying with WBSEDCL as submitted by them was Rs. 146441.00 lakh at the end of the year 2012 – 2013 excluding the security held by the short-term consumers. The actual amount of interest accrued on such security deposits during 2012 – 2013 as



per audited accounts was Rs. 6271.00 lakh as against Rs. 3315.44 lakh allowed in the Tariff Order.

2.16.2 WBSEDCL shall pay the interest on security deposit to the consumers as per provision of the West Bengal Electricity Regulatory Commission (Miscellaneous Provision) Regulations, 2013. The security deposit amount is being utilized as Working Capital as confirmed by WBSEDCL and no interest on Working Capital is allowed to WBSEDCL for the year 2012 – 2013. Considering the fact that the entire amount of working capital requirement would be met from the security deposit held with WBSEDCL and no interest on working capital is allowed in the APR order for 2012 – 2013, the amount of interest on security deposit accrued as provided in Annual Accounts for 2012 – 2013 and claimed by WBSEDCL, i.e., Rs. 6271.00 lakh is admitted and considered under distribution function in the APR for 2012 – 2013.

2.17 Other Finance Charges:

2.17.1 As it comes out from the Note no. - 25(B) to the audited accounts, total amount of finance charges during the year 2012 – 2013 came to Rs. 712.00 lakh which is admitted for the revenue account as against Rs. 560.00 lakh considered in the ARR in tariff order for the year 2012 – 2013. The function wise breakup of the amounts admitted are as under:

Sl. No.	Function	Admitted amount in APR for 2012 – 2013 (Rs. in lakh)
1	Generation	15.71
2	Distribution	696.29
	Total	712.00

2.18 Taxes under Income Tax Act:

2.18.1 As it comes out from the Note no. 28 to the Annual Accounts for 2012 – 2013, an amount of Rs. 2664.00 lakh was provided in the books towards taxes payable under the provisions of Income Tax Act. An amount of Rs. 2915.00 lakh was considered in the ARR for 2012 – 2013 in the Tariff Order.



- 2.18.2 WBSEDCL has claimed the return on equity (ROE) on pre-tax basis.
- 2.18.3 In the APR order for 2011 – 2012, WBSEDCL was directed to submit copy of assessment order for the year 2011 – 2012 and copies of the challans for deposit of income tax by them for the year in APR petition for the year 2012 – 2013 or onward.
- 2.18.4 WBSEDCL has complied with the directions and has submitted the copies of the assessment orders and challans of tax deposited by them in their APR application for 2012 – 2013.
- 2.18.5 It is seen from the documents submitted by WBSEDCL that they could deposit only Rs. 2664.00 lakh as income tax during the year. The Commission admits the amount of Rs. 2664.00 lakh in the APR for 2012 – 2013. Since the entire equity of WBSEDCL is related to distribution function, the entire amount of income tax paid of Rs. 2664.00 lakh is allocated to distribution function.
- 2.19 **Reserve for Unforeseen Exigencies:**
- 2.19.1 In terms of regulation 5.11 of the Tariff Regulations, generating companies and the licensees may provide and maintain a reserve up to 0.25% of the value of the gross fixed assets at the beginning of the year annually for dealing with unforeseen exigencies subject to an overall ceiling of 5% of such gross value of fixed assets.
- 2.19.2 In the Tariff Order for 2012 – 2013 no amount was allowed under this head in the ARR for all the ensuing years of the third control period in order to have lesser initial impact on tariff increase in view of requirement of large amount of Regulatory asset release. WBSEDCL has also not claimed any amount under this head in their APR application for 2012 – 2013. The Commission also considers not to allow any amount under this head in the APR for 2012 – 2013.
- 2.19.3 Total fund position as stated by WBSEDCL in the APR application for 2011 – 2012 were as under :



Break-up of Reserve for Unforeseen Exigencies for the year 1011-12	
Particulars	Amount (Rs. in lakh)
Reserve for Unforeseen Exigencies ((2006-07)	1638.41
Reserve for Unforeseen Exigencies ((2007-08)	1424.08
Reserve for Unforeseen Exigencies ((2008-09)	2335.47
Reserve for Unforeseen Exigencies ((2009-10)	2542.10
Reserve for Unforeseen Exigencies ((2010-11)	2983.57
Interest till 2008-09	54.63
Interest till 2009-10	279.00
Interest till 2010-11	420.00
Interest till 2010-11 (accrued but not due)	365.00
Less : Refund amount of Reserve for Unforeseen Exigencies for the year 2006-07 to WBSETCL as per APR order of 2008-09	537.20
Less : Interest component of such Refund amount of Reserve for Unforeseen Exigencies for the year 2006-07 to WBSETCL	116.84
Less: Refund of excess amount of Reserve for Unforeseen Exigencies for the year 2008-09 to WBSETCL as per APR order of 2008-09 i.e. (2335.47 lakh – 2280.73 lakh)	54.74
Less : Interest component so included in the Reserve for Unforeseen Exigencies on excess creation of reserve	3.94
Total Reserve for Unforeseen Exigencies upto 2010-11 & Opening Balance of Reserve for Unforeseen Exigencies for 2011-12 as per financial statement 2011-12	11329.54
Reserve for Unforeseen Exigencies (2011-12)	3011.00
Interest Component for 2011-12 (net of accrued but not due of last year)	276.00
Interest Component for 2011-12 (accrued but not due)	681.00
Closing balance of Reserve for Unforeseen Exigencies upto 2011-12 as per Annual Accounts for 2011-12	15297.54

2.19.4 It is stated in the note 2.3 under 'Note no. 2 Reserve & Surplus' of the annual accounts 2012 – 2013 that the interest amount of Rs. 1189.00 lakh on the fixed deposits invested against 'Fund for Unforeseen Exigencies' created upto 2011 – 2012 was added to such reserve. Considering the same, the total amount of such fund would be Rs. 16486.54 lakh (Rs. 15297.54 lakh + Rs. 1189.00 lakh). It is seen from Note no. 18 'Cash and Bank Balance' the fixed deposits with bank for investment against reserve for unforeseen exigencies as on 31.03.2013 is Rs. 12441.00 lakh only. Thus, there is a short fall amount of Rs. 4045.54 lakh (Rs. 16486.54 lakh – Rs. 12441.00 lakh) which is required to be invested in terms of regulation 5.24.1 of the Tariff Regulations. In the tariff order for 2011 – 2012 and 2012 – 2013 WBSEDCL was directed to invest immediately the balance fund of reserve for unforeseen exigencies so far allowed following the provisions of regulation 5.24.1 of the Tariff



Regulations. WBSEDCL has failed to comply with such direction to invest the total amount of the reserve in funds as per provisions of the regulation. For non-compliance of the direction, as stated above, an amount of Rs. 8091.08 lakh being double the shortfall amount is being withheld in the APR for 2012 – 2013 in terms of regulation 5.11.2 of the Tariff Regulations. WBSEDCL is directed to invest the shortfall amount of the fund immediately and to submit a compliance report with auditor's certificate to the Commission within two months from the date of this order. Upon receipt of such compliance report, the Commission will decide regarding release of the withheld amount. The decision of the Commission will be given in the next APR order of WBSEDCL. WBSEDCL is further directed to maintain the fund as per provision of the regulation 5.24 of the Tariff Regulations in future.

2.20 Return on Equity:

- 2.20.1 Equity base for allowing returns has got two components, i.e., share capital and free reserve. It comes out from the 'Note no. - 2: Reserve & Surplus' in the audited annual accounts for 2012 – 2013 that WBSEDCL had accumulated loss of Rs. 21232.00 lakh and Rs. 16083.00 lakh at the beginning and end of the year 2012 – 2013 respectively. It has, therefore, no free reserve. The equity base of it is only the amounts of share capital.
- 2.20.2 It is evident from Balance Sheet as at 31st March, 2013 that during the year 2012 – 2013, equity participation by Government of West Bengal has been reduced by Rs. 30166.00 lakh. There is no positive contribution from Reserve & Surplus. Thus no amount has been considered as addition to equity base during the year.
- 2.20.3 It is evident from Note-11 that transfer to fixed assets from capital work-in-progress during the year 2012 – 2013 is Rs. 118994.00 lakh. Since there is no positive contribution from Reserve & Surplus so no equity addition against such addition in fixed asset is considered during the year 2012 – 2013.
- 2.20.4 The share capital of WBSEDCL at the beginning and at the end of the year 2012 – 2013 was at Rs. 255840.00 lakh and Rs. 225674.00 lakh respectively as per Annual Accounts for 2012 – 2013. Since there is no equity addition as



discussed in paragraph 2.20.3 above the average equity base for allowing returns is considered at Rs. 240757.00 lakh [(Rs. 255840.00 lakh + Rs. 225674.00 lakh) / 2] for the year 2012 – 2013.

2.20.5 WBSEDCL has claimed the entire equity as for distribution business and computed the Return on Equity at Rs 49661.00 lakh @ 20.63% on pre-tax basis in form 1.22 to Annexure-1 of the APR application. In the paragraph 2.18.5 above, the Commission admits the amount of 2664.00 lakh paid by WBSEDCL as Income Tax during the year. Thus, the Commission does not consider to admit return on pre-tax basis as claimed by WBSEDCL. The Commission considers the return on the average equity base of Rs. 240757.00 @ 16.5% which comes to Rs. 39724.91 lakh to meet the ends of justice in terms of regulation 8.4 of the Tariff Regulations.

2.20.6 In the APR order for 2011 – 2012, the Commission admitted Rs. 52772.00 lakh as return on equity to WBSEDCL for the year 2011 – 2012 subject to adjustment of income tax paid as per assessment order for the year.

2.20.7 It is seen from the audited annual accounts for the year 2012 – 2013 and the document submitted by WBSEDCL that an amount of Rs. 2915 lakh was paid by WBSEDCL on account of income tax for the financial year 2011 – 2012. In note 28.1 under Note No. 28 'Tax Expenses' of the annual accounts 2012 – 2013, it is stated that the income tax assessment of WBSEDCL has been completed upto the assessment year 2010 – 2011 and there is no legitimate demand outstanding against WBSEDCL upto the year 2006 – 2007. The return on equity @ 16.5% on the equity base of Rs. 255840.00 lakh admitted in the APR for 2011 – 2012 works out at Rs. 42213.60 lakh. Considering the actual amount of income tax paid by WBSEDCL for the financial year 2011 – 2012 of Rs. 2915.00 lakh, total amount of ROE for the year works out at Rs. 45128.60 lakh (Rs. 42213.60 lakh + Rs. 2915.00 lakh). WBSEDCL in the APR order for 2011 – 2012 was admitted Rs. 52772.00 lakh subject to adjustment of actual income tax paid as per assessment order. Thus an amount of Rs. 7643.40 lakh (Rs. 52772.00 lakh – Rs. 45128.60 lakh) is being



deducted from the admitted return on equity for the year 2012 – 2013 to meet the ends of justice in terms of regulation 8.4 of the Tariff Regulations.

2.20.8 Thus, the Commission admits Rs. 32081.51 lakh (Rs. 39724.91 lakh – Rs. 7643.40 lakh) in the APR for 2012 – 2013 and the entire amount is allocated to distribution function.

2.21 **Special Allocation:**

2.21.1 In the tariff order for 2011 – 2012 and 2012 – 2013, the Commission allowed Rs. 29448.33 lakh for the year 2012 – 2013 on account of arrear to be paid to WBPDCCL in instalment during the year 2012 – 2013 against the tariff order dated 30.12.2011 determining the tariff of new units of WBPDCCL for the years 2008 – 2009, 2009 -2010 and 2010 – 2011. The actual claim on those prior period payments relating to power purchase was taken into consideration in the order on fuel and power purchase cost adjustment for the year 2012 – 2013.

2.21.2 WBSEDCL in their APR application for 2012 – 2013 has claimed an amount of Rs. 6065.63 lakh on accumulated loss due to taking over of the assets relating to distribution business of Singur-Haripal Rural Electric Co-operative Society Ltd. (SHRELCOP) by WBSEDCL in terms of the Commission's order dated 28.02.2008. WBSEDCL submitted an application on 01.06.2010 to the Commission claiming to release of such accumulated loss in their tariff. Since the Commission issued the order dated 28.02.2008 regarding taking over of the assets of SHRELCOP by WBSEDCL at the instance of the direction given by the State Government under section 108 of the Electricity Act, 2003, the matter has been referred to the State Government seeking their views on settlement of loss stated to be accrued by WBSEDCL. Decisions of the Commission on that application and two other applications on the same issue are pending for want of further direction from the State Government. Commission thus decides not to consider any amount on this account now in APR for 2012 – 2013.



2.21.3 WBSEDCL has also stated that in the APR orders for the year 2008 – 2009, 2009 – 2010 and 2010 – 2011 under the head cost of outsourcing, Rs. 2235.83 lakh, Rs. 6811.95 lakh and Rs. 7009.10 lakh respectively totaling to an amount of Rs. 16056.88 lakh was disallowed by the Commission causing a huge financial loss to WBSEDCL under the head cost of outsourcing. WBSEDCL stating the reasons has submitted before the Commission not to disallow the portion of outsourcing cost totaling to an amount of Rs. 16056.88 lakh stated above and release the same in the APR for 2012 – 2013. The Commission after going through the submission of WBSEDCL in the APR application for the years 2008 – 2009, 2009 – 2010 and 2010 – 2011 passed the order considering the admissible amount under the head along with views of the Commission on the same as per provision of the prevailing Tariff Regulations in the APR order for the concerned year. The Commission decides not to consider any claim of WBSEDCL in this regard in this order.

2.21.4 WBSEDCL has further stated that in the APR order for the year 2011 – 2012, Rs. 34.00 lakh and Rs. 593.00 lakh on account of debenture redemption reserve and interest of unutilized fund of RAPDRP respectively totaling to an amount of Rs. 627.00 lakh was included in the 'income from non-tariff sources'. The non-tariff income was deducted from the gross ARR to arrive at the net allowable ARR for the year 2011 – 2012 and as a result the same passed on to the consumer. WBSEDCL has stated that the amount of Rs. 627.00 lakh was supposed to be kept in WBSEDCL account for utilization of the same in the respective scheme and has claimed to release that amount in the APR for 2012 – 2013. The Commission views that as the interest accrued on the debentures issued by WBSEDCL for any capital projects and on the loan for the funding of RAPDRP scheme are allowed in the ARR, any income arising out of unutilized fund will be passed on to the consumers. Thus, retention of any amount on this score is not considered by the Commission.

2.21.5 WBSEDCL has further stated that in the APR order for 2011 – 2012, the Commission admitted Rs. 7991.98 lakh under the head 'other administrative and general expenses' under distribution as a controllable item, whereas the actual expenses as per their audited accounts was Rs. 9840.53 lakh.



WBSEDCL in their submission has stated that the projection of the administrative expenses for the year 2011 – 2012 could not be done properly in their MYT petition for the 3rd control period and has claimed for consideration of the disallowed amount of Rs. 1848.55 lakh (Rs. 9840.53 lakh – Rs. 7991.88 lakh) in the APR for 2012 – 2013. The Commission admitted the expenses under different heads in the APR order for 2011 – 2012 after going through the submission of WBSEDCL in their APR application for the year and as per the provision of the Tariff Regulations. There is no sufficient reason to reconsider the decision of the Commission further to admit any disallowed amount in the APR order for 2011 – 2012 in this order.

2.21.6 Thus no amount as claimed by WBSEDCL under the head ‘special allocation’ is being admitted by the Commission in the APR for 2012 – 2013.

2.21.7 The Commission passes orders on APR in respect of the generating company and licensees for any year as per provision of the Tariff Regulations and incorporate the views of the Commission regarding claim and admissible amount under each head. Accordingly, the APR orders in respect of WBSEDCL were passed by the Commission for the year upto 2011 – 2012 on the basis of the application submitted by WBSEDCL for the respective year. Time period for submission of any review petition in this regard has been stipulated in Conduct of Business Regulations. In case of any anomalies observed in the order WBSEDCL should have come up with their review petition as per provision of the relevant regulation within that stipulated time period. WBSEDCL in future should not come up with their claim for reconsideration of the decision of the Commission on a previous order.

2.22 **Income from Non-Tariff Sources:**

2.22.1 A total amount of Rs. 42760.00 lakh was considered towards the estimated earnings of WBSEDCL from other non-tariff sources and income from investment. In actual, (vide ‘Note no. 21(B) Other Operating Revenue’ to the audited accounts) total non-tariff income came to Rs. 27002.00 lakh. It also came out from the audited accounts (vide Note-22 – ‘Other Income’) that WBSEDCL has earned Rs. 8275.00 lakh as other income. It is also seen from



the audited accounts as well as from their submission that out of the amount of Rs. 8275.00 lakh WBSEDCL earned an amount of Rs. 25.00 lakh only as dividend income and Rs. 3851.00 lakh as interest from Bank on Fixed Deposit. The interest income of Rs. 3851.00 lakh includes Rs. 1189.00 lakh relating to Reserve for Unforeseen Exigencies to be added in the fund itself. Thus Rs. 1189.00 lakh is to be deducted from total interest income of Rs. 3851.00 lakh. The interest income however, also includes the interest income on investment of debenture redemption of Rs. 166.00 lakh and interest on investment of unutilized fund of R-APDRP for an amount of Rs. 984.00 lakh which is considered by the Commission to be passed on to the consumers. Thus the income from investment comes to Rs. 2687.00 lakh [Rs. 25.00 lakh + (Rs. 3851.00 lakh – Rs. 1189.00 lakh)]. Besides WBSEDCL earned Rs. 4399.00 lakh [Rs. 8275.00 lakh – (Rs. 25.00 lakh + Rs. 3851.00 lakh)] from other business and other general receipts. Thus total other income comes to Rs. 34088.00 lakh [Rs. 27002.00 lakh + Rs. 2687.00 lakh + Rs. 4399.00 lakh].

2.22.2 The amount of such earning of Rs. 34088.00 lakh is admitted in APR 2012 – 2013 and considered to be deducted from the gross amount of allowable fixed charge. The amount pertains to distribution function.

2.23 Unscheduled Interchange (UI):

2.23.1 As per the audited accounts for the year 2012 – 2013 (vide Note No.21(B) and Note No.23 thereto), the amounts receivable and payable by WBSEDCL towards unscheduled interchange were as under:

SI. No.	Particulars	Amount in Rs. in Lakh
1	UI charges receivable during 2012-13 (vide Note No.21(B) to accounts)	7574.00
2	UI charges payable during 2012-13 (vide Note No.23 to accounts)	9037.00
3	Net UI Charges payable during 2012-13 [(3)=(2)-(1)]	1463.00

2.23.2 It is seen from the above that there was net UI payable during the year 2012 – 2013 for an amount of Rs. 1463.00 lakh.



2.23.3 WSEDCL in their APR application for 2012 – 2013 has claimed the net UI payable amount of Rs. 1463.00 lakh as expenditure. The Commission in its order dated 04.03.2014 in case no. FPPCA-66/13-14 for Fuel and Power Purchase Cost Adjustment (FPPCA) of WBSEDCL for the year 2012 – 2013 has not considered the net UI payable amount of Rs. 1463.00 lakh and the same is considered in this APR order for 2012 – 2013 under distribution function.

2.24 Benefits to be passed on to consumers and other licensees:

2.24.1 WBSEDCL made a total purchase (net of CTU Grid Loss of 196.582 MU) of power to the tune of 33275.110 MU (33471.692 MU – 196.582 MU) at a power purchase cost of Rs. 1142946.00 lakh during the year 2012 – 2013. Out of such total purchase, 1393.011 MU was sold to persons other than its own consumers and other licensees. Besides, 1141.571 MU was swapped out by WBSEDCL during the year 2012 – 2013. Thus the total quantum of sale to persons other than consumers and licensees and swap out power was 2534.662 MU [1393.091 MU + 1141.571 MU]. The proportionate purchase cost of energy sold to the persons other than consumer and licensee and swap out power was Rs. 87060.57 lakh (Rs. 47849.89 lakh + Rs. 39210.68 lakh). Commission's order dated 04.03.2014 in Case No. FPPCA -60/13-14 (paragraph 2.2.2.3) may be referred to in this regard. WBSEDCL in their APR application for 2012 – 2013 in form 1.24 has considered a further cost of Rs. 3962.00 lakh for sale of power to persons other than licensee and consumers and swap out power and added to the proportionate power cost in their computation.

2.24.2 In the annual accounts for 2012 – 2013 (Note No. 21) an amount of Rs. 3962.00 lakh has been shown as deduction from gross revenue income on account of charges for export of power. The Commission considers the amount of Rs. 3962.00 lakh in determination of revenue income from sale of power to persons other than consumers and licensees.

2.24.3 As mentioned in the earlier paragraph, WBSEDCL sold 1393.091 MU of power to persons other than the licensees and its own consumers. The total



revenue earned by such sale came to Rs. 47063.00 lakh (Rs. 51025.00 lakh – Rs. 3962.00 lakh) [vide No.21 to the audited accounts for 2012 – 2013 and the observations in paragraph 2.24.2 above]. WBSEDCL also swapped out 1141.57 MU during the year 2012 – 2013 and revenue income from such energy swapped out is Rs. 38402.00 lakh (vide Note No.21 to the audited accounts for 2012 – 2013). So total revenue earned from such sale comes to Rs. 85465.00 lakh (Rs. 47063.00 lakh + Rs. 38402.00 lakh). The gains derived through such sale work out as under:

Sl. No.	Particular	Amount (Rs. in Lakh)
1	Sales Revenue earned	85465.00
2	Less : Cost of power for such sale	87060.57
3	Amount of gains derived by such sale	(-) 1595.57

2.24.4 In the tariff order for 2012 – 2013, the Commission considered that the benefits from sale of power to the persons other than its own consumers and licensee will be passed on to the consumers of WBSEDCL on actual basis through APR of the concerned year. Now, it is seen that no gain was derived from such sale during the year 2012 – 2013. The Commission decides not to pass any gain to the consumers as no such benefit has been derived from sale to persons other than consumers and licensee and swap out power in the APR for 2012 – 2013 in terms of clause (iv) of regulation 5.12.2 of the Tariff Regulations.

2.25 Interest Credit:

2.25.1 In terms of regulation 5.5.3 of the Tariff Regulations, the amount of interest credit deductible from the gross ARR for 2011-12 works out as under:

Sl. No.	Particulars	Admitted amount in APR for 2012-13 (Rs. in lakh)
1	Depreciation (Refer paragraph 2.11)	39622.00
2	Loan repayment (Refer form – C of the APR application)	19833.00
3	Excess fund (1 – 2)	19789.00
4	Weighted average rate of interest	9.16%
5	Interest credit	1812.67



2.25.1 The total amount of interest credit of Rs. 1812.67 lakh as worked out above is admitted by the Commission and allocated to distribution functions to adjust with the ARR in the APR for 2012 – 2013 as against the amount of Rs. 1040.52 lakh considered in the ARR for 2012 – 2013 in the Tariff Order.

2.26 Carrying cost for SWAP Power.

2.26.1 It is submitted by WBSEDCL that due to variation in demand during different time period of a day as well as in different months or seasons there remains surplus power in different period of a year. In such case if the prevailing sale price in power market is not cost effective, then the surplus power is banked through swap arrangement for effective utilization of the surplus power to reduce the burden of idle capacity charge on the consumers and also to maintain the grid discipline. In the process of banking of surplus power through swap arrangement and getting back such power while there is need, they have to bear the carrying cost for such banked power.

2.26.2 In their APR application WBSEDCL has claimed an amount of Rs. 1827.46 lakh as carrying cost they had to bear for banked power through swap arrangement during the year. The detailed computation of the carrying cost has also been given in their APR applications.

2.26.3 The Commission considered the carrying cost of Rs. 1827.46 lakh as claimed by WBSEDCL and admits the same in the APR for 2012 – 2013 in distribution function.

2.27 Carrying cost of regulatory asset:

2.27.1 WBSEDCL referring the Paragraph 8.2.2 (b) of the Tariff Policy and the order dated 11.11.2011 of the Hon'ble Appellate Tribunal for Electricity in Case No. Op-1 of 2011 has claimed carrying cost on the following regulatory assets on the ground that such cost is an entitled amount to WBSEDCL as a reasonable cost to be recovered.



- a) In the tariff order for 2012 – 2013 the Commission gave directives for recovery of arrear amount in 48 installments. WBSEDCL has claimed carrying cost of Rs. 3745.00 lakh due to delayed recovery of arrears.
- b) In the order dated 17.10.2012 for APR for the year 2009-10 in Case No. APR-20/10-11 the Commission admitted recoverable amounts of Rs. 122800.69 lakh out of which Rs. 4000.00 lakh was considered for adjustment in the ARR in the tariff order for 2012 -2013 creating a regulatory asset for the balance amount of Rs. 118800.69 lakh. As a result WBSEDCL needs to bear carrying cost on these amounts during the year 2012 – 2013. The Commission in its order dated 19.10.2012 in case no. APR-29/12-13 in APR for 2010 – 2011 admitted the net recoverable amount of Rs. 29977.47 lakh. In the tariff order for 2012 – 2013, the Commission adjusted Rs. 3000.00 lakh in the APR for 2012 – 2013 and the balance amount of Rs.26977.47 lakh were kept as regulatory asset. A carrying cost of Rs. 11662.00 lakh and Rs. 2648.00 lakh respectively have been claimed by WBSEDCL for the year 2012 – 2013 against their regulatory assets created in the APR for 2009-10 and 2010-11.
- c) The Commission admitted release of Rs. 45500.00 lakh from the regulatory asset of Rs. 125503.86 lakh in the ARR of WBSEDCL for 2011-12. The Commission also considered to release Rs. 1800.00 lakh from the said regulatory asset in the ARR for 2012 – 2013. WBSEDCL has claimed Rs. 7677.00 lakh as carrying cost of balance regulatory asset of Rs. 78203.86 lakh for the year 2012 – 2013.

2.27.2 It is seen from the computation of carrying cost submitted by WBSEDCL in Annexure-8 of their APR application that WBSEDCL has claimed the carrying cost for arrear recovery as per Tariff Order for 2012 - 2013 in 48 installments as stated in (a) above since 1.4.2012 till completion of recovery in 48 installments. In the context of claim of carrying cost since 01.04.2012, the Commission decides that the claim of WBSEDCL cannot be considered for the period from 01.04.2012 to 31.12.2012 upto the month of issue of the tariff order as the delay in submission of tariff application is on the part of



WBSEDCL as they submitted their MYT application for the third control period only on 30.03.2012 i.e. after 16 months from the due date of submission. Moreover, WBSEDCL is paying the arrear amount payable to WBPDCCL on account of tariff order of WBPDCCL for 2011 – 2012 and 2012 – 2013 in 48 equal instalments for which no additional cost is to be borne by WBSEDCL. Thus the Commission considers not to allow the carrying cost of Rs. 3745.00 lakh as claimed by WBSEDCL.

2.27.3 As mentioned in (b) of paragraph 2.28.1 above, WBSEDCL has claimed the carrying cost on regulatory asset created against APR order for 2009-10 from 01.04.2012 to 31.03.2013 and on regulatory asset created against APR order for 2010-11 from 01.04.2011 to 31.03.2012 as follows:

Description	Amount (Rs. lakh)	Claim period	Year	Average rate of interest (%)	Carrying cost (Rs. Lakh)
Carrying cost on Regulatory asset against APR for 2009-10	118801	01.04.2012 to 31.03.2013	2012-13	9.82	11662.00
Carrying cost on Regulatory asset against APR for 2010-11	26978	01.04.2012 to 31.03.2013	2012-13	9.82	2648.00

2.27.4 The Commission considers the carrying cost on Regulatory asset created against APR for 2009-10 for the period 2012- 2013 as the APR application for the year 2009 – 2010 was submitted by WBSEDCL within 30.11.2010 as per provision of the Tariff Regulations. Thus the carrying cost of Rs. 10882.14 Lakh computed @ 9.16%, the average rate of interest on loan of WBSEDCL, on Regulatory asset of Rs. 118800.69 lakh for the period 2012 – 2013 is being admitted by the Commission.

2.27.5 The carrying cost of Rs. 2648.00 lakh for the period from 1.4.2012 to 31.03.2013 as claimed by WBSEDCL on Regulatory asset of Rs. 26978.00 lakh created against the APR for 2010-11 is not being considered by the Commission as the APR application for 2010-11 submitted by WBSEDCL was only on 04.04.2012. Carrying cost on such regulatory asset may be claimed in the APR for 2013 – 2014.



2.27.6 The Commission does not consider the claim of WBSEDCL for carrying cost of Rs. 7677.00 lakh on the balance regulatory asset of Rs. 78203.86 lakh as stated in (c) above as the amount of such regulatory asset was created on actuarial valuation of terminal benefit of employees of WBSEDCL. The release mechanism in number of instalments also was initially proposed by the licensee itself after taking into consideration of different aspects.

2.27.7 Summing up the points discussed above in paragraph 2.27.4, 2.27.5 and 2.27.6 above, the Commission admits the carrying cost of Rs. 10882.14 lakh in the APR for 2012 – 2013 and the entire amount is related to distribution function.

Description	Amount in Rs. lakh	
	As claimed by WBSEDCL	As admitted in the APR for 2012-13
a) Carrying cost for delayed recovery of arrears on tariff for the year 2012-13 in 48 instalments	3745.00	0.00
b) i) Carrying cost on recoverable amount against APR order for 2009-10	11662.00	10882.14
ii) Carrying cost on recoverable amount against APR order for 2010-11	2648.00	0.00
c) Carrying cost on balance recovery of regulatory asset of Rs. 78203.86 lakh	7677.00	0.00
Total	25732.00	10882.14

2.28 Other expenses:

2.28.1 WBSEDCL has claimed in their APR application for 2012 – 2013 an amount of Rs. 593.00 lakh under the head 'Others' on account of loss of materials, compensation paid to staff on injury/death/damages, compensation paid to outsiders on injury/death/damages after adjusting the income relating to prior period. No amount was admitted in ARR for 2012 – 2013 in Tariff order for 2011-12 and 2012 – 2013. WBSEDCL has booked all those expenditure in the annual accounts for 2012 – 2013 under the head 'Other Debits'. Since



those expenditures are relating to other general expenses those are to be considered in operation and maintenance head which is a controllable item and no amount was admitted in the ARR under this head separately, the Commission decides not to admit any amount under this head in the APR 2012 – 2013.

2.29 Rates & Taxes:

2.29.1 WBSEDCL has claimed Rs. 2488.00 lakh under the head rates and taxes as against the admitted amount of Rs. 106.19 lakh in the ARR for 2012 – 2013. It is seen from note 27.3 under Note no. 27 'Other Expenses' to the audited accounts that the expenses during the year 2012 – 2013 under rates and taxes was Rs. 98.00 lakh only which is being considered by the Commission. In paragraph 2.6.3 it is decided that the service tax paid on staff welfare expenses booked under the head of employee cost will be considered under the head 'rates and taxes'. Thus, the Commission admits Rs. 110.00 lakh (Rs. 98.00 lakh + Rs. 12.00 lakh) in the APR for 2012 – 2013 with a functional breakup of Rs. 0.68 lakh in generation and Rs. 109.32 lakh in distribution

2.30 Adjustment on account of disallowed cost:

2.30.1 In the paragraph 2.3.7 of the FPPCA order dated 04.03.2014 in case no. FPPCA – 66/13-14, the Commission decided that in case of any difference between ROE considered in the tariff order and ROE admitted in APR and consequent upon that difference the charges disallowed (C_D) will be taken care of in APR for 2012 – 2013. In the tariff order for 2012 – 2013 ROE was allowed as Rs. 42213.60 lakh whereas the ROE allowed in this APR order for 2012 – 2013 is Rs. 39724.91 lakh. Thus the excess cost disallowed in the FPPCA order dated 04.03.2014 on the basis of ROE considered in the tariff order amounting to Rs. 2488.69 lakh (Rs. 42213.60 lakh – Rs. 39724.91 lakh) is now being allowed to WBSEDCL in this order. The entire amount is allocated to distribution.



2.32 Allowable Fixed Charges in APR for 2011 – 2012:

2.32.1 Based on the foregoing analyses, the total amount of fixed charges allowable separately for generation and distribution functions of WBSEDCL has been shown in Annexure 2A. As may be seen there-from, the allowable fixed charges come as under:

Sl. No.	Function	Admitted amount in APR for 2012-13 (Rs. in lakh)
1	Generation	26198.93
2	Distribution	370411.86
	Total	396610.79



ANNEXURE – 2A

STATEMENT SHOWING ADJUSTMENTS ON ANNUAL PERFORMANCE REVIEW (APR)				
Sl. No.	PARTICULARS	Figures in Rs. Lakh		
		AS ADMITTED IN APR FOR 2012-13		
		GENERATION	DISTRIBUTION	TOTAL
1	Transmission charges to WBSETCL (STU)	0.00	82187.00	82187.00
2	Transmission charges to PGCIL (CTU)	0.00	42594.00	42594.00
3	System operation charges to POSOCO	0.00	411.00	411.00
4	Fees / Charges to ERPC	0.00	15.00	15.00
5	SLDC charges	0.00	2767.00	2767.00
6	Employee Cost	3219.12	93049.88	96269.00
7	Cost of Outsourcing manpower related	0.00	14143.73	14143.73
8	Cost of Outsourcing excluding manpower	0.00	9475.49	9475.49
9	Operation & Maintenance (O&M) Charges	4478.41	27399.03	31877.44
10	Complaint Management Mechanism	0.00	380.00	380.00
11	Rates and Taxed	0.68	109.32	110.00
12	Insurance Premium	111.14	258.86	370.00
13	Interest on Capital Borrowings	10573.00	28644.00	39217.00
14	Interest on Pension Bonds for pension fund	359.87	12645.13	13005.00
15	Interest on Consumer Security Deposits	0.00	6271.00	6271.00
16	Other Finance Charges	15.71	696.29	712.00
17	Interest on Working Capital	0.00	0.00	0.00
18	Lease rental	0.00	1666.00	1666.00
19	Depreciation	7441.00	32181.00	39622.00
20	Bad Debt	0.00	227.00	227.00
21	Special Allocation relating to earlier year	0.00	0.00	0.00
22	Tax under Income Tax Act	0.00	2664.00	2664.00
23	Return on equity	0.00	32081.51	32081.51
24	Reserve for Unforeseen Exigencies	0.00	0.00	0.00
25	Carrying cost for swap power	0.00	1827.46	1827.46
26	Carrying cost of Regulatory asset	0.00	10882.14	10882.14
27	UI charges payable	0.00	1463.00	1463.00
28	Excess amount deducted in FPPCA order dated 04.03.2014 (Refer para 2.30)	0.00	2488.69	2488.69
29	Gross Fixed Charges	26198.93	406527.53	432726.46
	Less: Adjustments			
30	a Income from Investment and Other Non-Tariff Income	0.00	34088.00	34088.00
	b Benefits to be passed on to consumers and other licensee	0.00	0.00	0.00
	c Interest credit	0.00	1812.67	1812.67
	d Adjustment as per para 2.8.6		215.00	215.00
	Sub-total	0.00	36115.67	36115.67
31	Net fixed charges (29-30)	26198.93	370411.86	396610.79



ANNEXURE – 2B COMPUTATION OF WORKING CAPITAL REQUIREMENT

Sl. No.	Particulars	Amount (Rs. in lakh)
1	Net fixed charge arrived at excluding interest on working capital and adjustment on outsourcing cost for prior period	396825.79
2	Fuel and power purchase cost admitted in FPPCA order for 2012 – 2013	1073782.29
3	Sub total [(1) + (2)]	1470608.08
4	Less:	
	Depreciation	39622.00
	Return on equity	32081.51
	Bad debts	227.00
5	Allowable charges for computation of working capital requirement [(3) – (4)]	1398677.57
6	Normative requirement of working capital @ 10% of (5)	139867.76
7	Security deposit held by WBSEDCL	146441.00



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 As shown at the concluding paragraph of the previous chapter, the re-determined allowable fixed charges for generation and distribution functions including retail selling activities of WBSEDCL for the year 2012 – 2013 come as under:

Particulars	Amount (Rs. in Lakh)
Generation Function	26198.93
Distribution Function	370411.86
Total	396610.79

- 3.2 As per annual accounts for 2012 – 2013 (Note no. 21 – Revenue from Operation) net earning from sale of energy during the year 2012 – 2013 was Rs. 1624297.00 lakh which includes the revenue from sale of energy to persons other than consumers and licensee (sale to trader) and swap out of power to the tune of Rs. 85465.00 lakh (Rs. 51025.00 lakh + Rs. 38402.00 lakh – Rs. 3962.00 lakh). The sales revenue also includes the arrear for 2011 – 2012 as per tariff order.
- 3.3 WBSEDCL in their APR application for 2011 – 2012 stated that in view of determination of tariff for the year 2011 – 2012 by the Commission on 01.12.2012, an arrear amounting to Rs. 180418.00 lakh had been accrued and realizable through subsequent energy bills in 48 monthly installments from the consumers of WBSEDCL against sale of power during the years 2011 – 2012 and onwards on account of tariff difference. WBSEDCL had stated to consider the said arrear revenue amount of Rs. 180418.00 lakh as income for the year 2011 – 2012 in the APR for 2011 – 2012 in order to reduce the impact of APR on the consumers and a disclosure in this regard would be given in the annual accounts for the year 2012 – 2013. It is seen from the Note no. 21 that the amount of Rs. 180418.00 lakh has been included in the revenue from operation. Thus to arrive at the sales revenue earned by WBSEDCL for the year 2012 –



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2013 the amount of Rs. 180418.00 lakh is required to be deducted from the net earning of Rs. 1624297.00 as accounted for in the annual accounts 2012 – 2013.

- 3.4 The sales revenue earned by WBSEDCL during the year 2012 – 2013 for sale to own consumers and licensee is found as under:

Particulars	Revenue (Rs. in Lakh)
Revenue from sale of power as per 'Note no. 21 – Revenue from Operation' of Statement of Accounts	1624297.00
Less: Revenue recovered from sale to persons other than to consumers and licensees + swap out power	85465.00
Less: Arrear for 2011 – 2012 included in the Revenue	180418.00
Revenue from sale of Energy to own consumer and other licensees	1358414.00

- 3.5 The amount of total allowable variable costs for the year 2012 – 2013, as determined in paragraph 2.5.1 of order on Fuel and Power Purchase Cost Adjustments (vide Order dated 04.03.2014 in Case No. FPPCA-66/13-14) is Rs. 1073782.29 lakh. The function-wise break-up of this total amount of Rs.1073782.29 lakh is as follows:

	Rs. in Lakh
Generation	5.46
Distribution	1073776.83
Total:	1073782.29

- 3.6 In the tariff order for 2011 – 2012 and 2012 – 2013, the Commission considered for adjustment of the following amount in ARR for 2012 – 2013 to determine the revenue recoverable through tariff for 2012 – 2013.

- i) Rs. 13902.91 lakh being the amount payable to WBPDC by WBSEDCL in respect of FPPCA of WBPDC for the year 2009 – 2010;



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- ii) Positive adjustment of APR for 2009 – 2010 for an amount of Rs. 4000.00 lakh;
 - iii) Positive adjustment of APR for 2010 – 2011 for an amount of Rs. 3000.00 lakh.
- 3.6.1 WBSEDCL in their FPPCA application for 2012 – 2013 claimed Rs. 18537.00 lakh being the amount paid to WBPDCCL on account of FCA for 2009 – 2010 during the year 2012 – 2013 as prior period adjustment which was allowed by the Commission in FPPCA order dated 04.03.2014 in case no. FPPCA-66/13-14. Thus, the amount of Rs. 13902.91 lakh as mentioned in (i) above is not being considered in this APR for 2012 – 2013.
- 3.6.2 In the tariff order for 2011 – 2012 and 2012 – 2013, the Commission, in the ARR for 2012 – 2013, considered for adjustment of Rs. 4000.00 lakh out of the recoverable amount of Rs. 122800.69 lakh determined in APR order dated 17.10.2012 in case no. APR-20/10-11 for 2009 – 2010. The Commission now considers for adjustment of Rs. 77500.00 lakh in APR for 2012 – 2013 instead of Rs. 4000.00 lakh as considered in the ARR for 2012 – 2013 in the tariff order for 2011 – 2012 and 2012 – 2013. In the APR order dated 09.09.2013 for 2011 – 2012 in case no. APR-35/12-13, the Commission adjusted Rs. 24239.02 lakh out of the recoverable amount of Rs. 122800.69 lakh on account of APR for 2009 – 2010 and created a regulatory asset of Rs. 94561.67 lakh considering release of Rs. 4000.00 lakh in tariff order for 2012 – 2013. The Commission released Rs. 4000.00 lakh in tariff order for 2013 – 2014 also. After adjustment of Rs. 77500.00 lakh in this APR order for 2012 – 2013 instead of Rs. 4000.00 lakh admitted in ARR for 2012 – 2013 in the tariff order for 2011 – 2012 and 2012 – 2013, the regulatory asset on account of APR 2009 – 2010 comes to Rs. 17061.67 lakh [(Rs. 94561.67 lakh – (Rs. 77500.00 lakh - Rs. 4000.00 lakh) - Rs. 4000.00 lakh)] considering release of Rs. 4000.00 lakh in tariff order for 2013 – 2014 also.



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- 3.6.3 In the tariff order for 2011 – 2012 and 2012 – 2013, the Commission in the ARR for 2012 – 2013 considered to adjust Rs. 3000.00 lakh out of the recoverable amount of Rs. 29977.47 lakh as determined in the APR order dated 19.10.2012 for the year 2010 – 2011 in case no. APR-29/12-13. The Commission now considers for adjustment of Rs. 3000.00 lakh in this APR order for 2012 – 2013 as was considered in the ARR for 2012 – 2013 in the tariff order for 2011 – 2012 and 2012 – 2013. The balance regulatory asset on account of APR 2010 – 2011, as mentioned in the tariff order for 2011 – 2012 and 2012 – 2013, was Rs. 26977.47 lakh. The Commission considered to adjust Rs. 3000.00 lakh in the tariff order for 2013 – 2014 also. After adjustment of Rs. 3000.00 lakh in this APR for 2012 – 2013 and also considering the release of Rs. 3000.00 lakh in the tariff order for 2013 – 2014 the balance regulatory asset on account of APR for 2010 – 2011 comes to Rs. 23977.47 lakh (Rs. 26977.47 lakh – Rs. 3000.00 lakh).
- 3.7 Further in the tariff order of WBSEDCL for the year 2011 – 2012 and 2012 – 2013, the Commission in the ARR for 2012 – 2013 released Rs. 1800.00 lakh being a part of regulatory asset of Rs. 125503.86 lakh created in APR for 2010 – 2011 vide order dated 19.10.2012 in Case No. APR-29/12-13 on account of actuarial valuation of terminal benefit. The Commission now considers to release the same amount of Rs. 1800.00 lakh in the APR for 2012 – 2013. Out of the amount of Rs. 1800.00 lakh, Rs. 202.00 lakh is related to generation function and Rs. 1598.00 lakh is related to distribution function. The Commission also considered to release Rs. 45500.00 lakh in the APR for 2011 – 2012 and Rs. 6500.00 lakh in the tariff order for 2013 – 2014 from the said regulatory asset. After release of the part regulatory asset as mentioned above, the balance regulatory asset on account of actuarial valuation of terminal benefit remains Rs. 71703.86 lakh mentioned in the tariff order for 2011 – 2012 and 2012 – 2013 as shown below:



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Sl. No.	Item	Amount (Rs. in lakh)
1	Balance Regulatory Assets as per APR order of WBSEDCL for the year 2010 – 2011	125503.86
2	Part release of Regulatory Assets in the year 2011 – 2012	45500.00
3	Part release of Regulatory Assets in the year 2012 – 2013	1800.00
4	Part release of Regulatory Assets in the year 2013 – 2014	6500.00
5	Balance [(1) – {(2)+(3)+(4)}]	71703.86

3.8 The Commission now considers those amounts mentioned in paragraphs 3.6 and 3.7 above in APR to arrive at the realizable amount for the year 2012 – 2013.

3.9 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2012 – 2013 works out as under:

Sl No	Particulars	Total (Rs. in Lakh)
1	Variable cost allowed (vide paragraph 3.5)	1073782.29
2	Allowable net fixed cost (vide paragraph 4.1)	396610.79
3	Aggregate revenue requirement [3 = (1) +(2)]	1470393.08
4	Add: Positive adjustment of APR for 2009 – 2010	77500.00
5	Add: Positive adjustment of APR for 2010 – 2011	3000.00
6	Add: Partial release of regulatory asset created in APR 2010 – 2011	1800.00
7	Total realizable amount for 2012 – 2013	1552693.08
8	Less : Actual Revenue realized during the year (vide paragraph 3.4)	1358414.00
9	Less: Amount withheld as per paragraph 2.19.4	8091.08
	Net amount recoverable [(10) = (7) - (8) - (9)]	186188.00



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- 3.10 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of Rs. 186188.00 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2014 – 2015 or that for any other ensuing year or through a separate order, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of WBSEDCL for the year 2014 – 2015 or any ensuing year or in a separate order.
- 3.11 WBSEDCL is to take a note of this order.



CHAPTER – 4 DIRECTIVES

- 4.1 Some directions have been given in paragraphs no. 2.11.3, 2.15.2 and 2.19.4 while admitting the fixed cost under different heads in chapter – 2 of this order. WBSEDCL shall adhere to those directions.
- 4.2 It is also directed that henceforth commencing from 2013 – 2014, WBSEDCL shall submit a statement showing the manpower engaged in different field of activity which are now outsourced partly or fully vis-à-vis the manpower engaged from regular establishment against the respective field of activities. WBSEDCL shall submit this report in their APR application for 2013 – 2014 and onwards.
- 4.3 In the APR orders for 2009 -2010 and 2010 – 2011 and in the tariff order for 2011 – 2012 and 2012 – 2013, directions were given to WBSEDCL on terminal benefit fund besides other directions. WBSEDCL submitted a compliance report on those directions along with their APR application for 2011 – 2012 as stipulated in the direction. In their compliance report WBSEDCL submitted a statement showing fund position of the three different terminal benefit funds viz. Pension Fund, Gratuity Fund and CPF Fund upto the year 2011 – 2012 commencing from 2007 – 2008. The statement was not, however, certified by the statutory auditor. WBSEDCL instead of submitting the audited accounts of those three funds, as was directed, submitted only copies of some pages of the audited accounts of those funds which was neither desirable nor sufficient to serve the purpose. Moreover, from the submitted pages it cannot be identified for which fund the pages are related. It is also seen from the statement submitted by WBSEDCL that the amount admitted in the tariff order and in subsequent APR order for the years 2007 – 2008 to 2011 – 2012 was not deposited in fund properly by WBSEDCL. In the APR application for 2012 – 2013 WBSEDCL has submitted a mere statement of receipt and payments for the year 2012 – 2013 in respect of pension fund only.



Order on APR of WBSEDCL for the year 2012-13

Considering the above analysis WBSEDCL is directed to comply with the following directions:

- a) While submitting application for APR for 2013 – 2014, WBSEDCL shall show through audited accounts of different funds that the contribution to the different benefit funds during the period 2007 – 2008 to 2013 - 2014 as was admitted in the tariff orders for the respective years had been deposited in the funds. WBSEDCL shall also show that the additional contribution, if any, released through the APR orders for those years subsequently had been deposited from the effective date of recovery of the recoverable amount against those orders. The statement to be submitted by WBSEDCL in this regard shall be duly certified by the statutory auditors.
 - b) WBSEDCL shall ensure that henceforth one-twelfth of the amount on account of terminal benefit, as a part of employee cost admitted in the tariff order, is to be deposited in different terminal benefit funds every month as a first charge item every year. This is being required in order to ensure that the future actuarial valuation can be kept in control in a better way by avoiding carrying cost of such liability in future.
 - c) WBSEDCL shall submit copies of the audited accounts of all the three terminal benefit funds for the period 2007 – 2008 to 2013 – 2014 in a complete shape and not the selective pages.
- 4.4 Non-compliance of the above directions will be viewed seriously by the Commission and necessary deduction / withhold of amount as may be decided by the Commission will be made in the APR for 2013 – 2014.

**Sd/-
(SUJIT DASGUPTA)
MEMBER**

DATE: 12.06.2014