



**ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY  
COMMISSION**

**IN CASE NO.: APR – 37 / 13 – 14**

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

**DATE: 10.06.2014**



## CHAPTER – 1 INTRODUCTION

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- 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, as amended (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'). West Bengal State Electricity Transmission Company Limited (hereinafter referred to as 'WBSETCL') submitted their application for Annual Performance Review for 2012 – 2013 on 29.11.2013 in terms of the provision contained in Tariff Regulations. The application was numbered as APR-37/13-14.
- 1.2 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff 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.
- 1.3 WBSETCL is one of the successor entities of erstwhile West Bengal State Electricity Board (in short 'WBSEB') and came into being with effect from 1 April, 2007. It is engaged in the business of transmission of electricity and management of the State Load Despatch Centre in terms of West Bengal Power Sector Reform Transfer Scheme, 2007, notified by the Department of Power and Non-conventional Energy Sources, Government of West Bengal vide Notification No. 12-PO/O/III/3R-29/2006 dated 25 January, 2007 followed by subsequent modifications made through Notification No. 313-PO/O/III/3R-29/2006 dated 19.09.2008. The instant application of WBSETCL for APR for 2012 – 2013 is its second application of the third control period based on independent audited annual report and accounts for the year 2012 – 2013. The adjustments as may arise out of the review of the instant application with reference to the aforesaid audited annual report and accounts and the Commission's tariff order dated



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- 01.12.2012 for WBSETCL for 2012 – 2013 in Case No. TP-50/11-12 will be considered for giving effect while determining the amount of revenue recoverable through tariff order of ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.4 The APR is to cover the annual fixed charges allowed to the applicant, incentives and the effect of gain sharing as per Schedule-10 and Schedule 9B to the Tariff Regulations. Element of performance incentive or gain sharing on account of achieving better operational norms, however, was not considered for WBSETCL while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2012 – 2013 in terms of the referred schedules to the Tariff Regulations. The APR for the year 2012 – 2013 is, therefore, the review of the different factors elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBSETCL through its ARR for the year 2012 – 2013 vis-à-vis the actuals as per the audited accounts. In terms of regulation 2.5.5 of the Tariff Regulations, the variations arising out of uncontrollable factors / expenses are to be passed through the tariff in an appropriate manner as may be decided by the Commission. The variations arising out of the controllable factors shall, however, be on account of the licensee. The instant application of WBSETCL is being viewed in the subsequent parts of this order.
- 1.5 WBSETCL submitted the required data / information in the formats specified by the Commission and also a copy of its audited Annual Report and Accounts for 2012 – 2013. The detailed review of its performances is being taken up in the subsequent parts of the order. The review will involve examination of the expenditures incurred under different heads of fixed charges for ascertaining the admissibility of such expenditures in terms of the Tariff Regulations.
- 1.6 WBSETCL was directed to publish, in terms of regulation 2.6.12 of the Tariff Regulations, the gist of the APR application 2012 – 2013, as submitted by



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- WBSETCL and approved by the Commission, in at least four daily newspapers having wide circulation in the area of WBSETCL at least one each of such newspapers being in Bengali and English and also in the website of WBSETCL. The gist was accordingly, published simultaneously on 22.02.2014 in Ananda Bazar Patrika, Sanmarg, Hindustan Times and the Telegraph. The publication invited the attention of all interested parties, stake holders and the members of the public to the application for APR for the year 2012 – 2013 of WBSETCL and requested for submission of objections, comments etc., if any, on the application to the Commission by 21.03.2014 at the latest. Opportunities were also afforded to all to inspect the application and take copies thereof.
- 1.7 No comment, suggestion, objection on applications for APR for the year 2012 – 2013 of WBSETCL has been received during the stipulated time i.e., 21.03.2014.



## 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 amount of actual expenses/charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be.

### 2.2 Treatment of Net Prior Period Adjustments:

2.2.1 It is observed from notes to accounts (sl. No. 18) of audited annual accounts of WBSETCL for the year 2012 – 2013 and the certificate dated 25.11.2013 of Chartered Accountants submitted in Annexure – III of the petition that Rs. 9.04 lakh has been considered as net prior period expense during 2012 – 2013. The breakup of the net prior period expenditure as provided, is as below:

Sl. No.	Particulars	Amount (Rs. In lakh)	Amount (Rs. In lakh)
1	a) Prior period administrative charges	3.36	61.79
	b) Prior period employee cost	7.82	
	c) Prior period depreciation	50.61	
2	Less: a) Prior period finance charges	1.25	52.75
	b) Prior period repair & maintenance charges	51.50	
<b>Net Prior Period Expenditure</b>			<b>9.04</b>

Since administrative charges and repair and maintenance charges are controllable in nature under the Tariff Regulations, no further adjustment relating to previous year is required in APR for 2012 – 2013. Regarding prior period finance charges, prior period employee cost and prior period depreciation relating to previous year being uncontrollable in nature, necessary adjustments are



required to be considered in APR 2012 – 2013 and are to be dealt with in the subsequent paragraph.

2.2.2 The review of each of such uncontrollable heads of fixed charges with reference to the amount allowed through ARR and the actual expenses based on the audited accounts of WBSETCL is being taken up hereunder one by one.

**2.3 Employee Cost:**

2.3.1 WBSETCL was allowed a total amount of Rs. 13054.91 lakh chargeable to its revenue accounts towards employee cost which includes salaries, wages, allowances, bonus, contribution to P.F. etc. as well as Staff Welfare expense. WBSETCL in their APR petition has claimed for Rs. 13273.37 lakh (net of capitalization) which includes Rs. 64.49 lakh towards Directors' remuneration. As per the audited annual accounts 2012 – 2013 (vide note 19 of notes to accounts) the actual chargeable expenditure (gross) came to Rs. 15807.78 lakh and after capitalizing a total amount of Rs. 2534.41 lakh, the net employee cost for WBSETCL as a whole comes to Rs. 13273.37 lakh for the year 2012 – 2013. However, it has been noticed in the details of other expenses for Rs. 517.01 lakh as certified by the Chartered Accountants that an amount of Rs. 12.62 lakh was spent by WBSETCL towards Directors' sitting fees and other perks. Such amount is allowable in terms of Regulation 5.9.1 of Tariff Regulations. After proportionate capitalization, the above amount is arrived at Rs. 12.51 lakh.

2.3.2 Moreover, as already indicated in paragraph 2.2.1, an amount of Rs. 7.82 lakh is required to be adjusted for under provision of employee cost during 2011 – 2012 and accordingly, the total chargeable amount of employee cost comes to Rs. 13293.70 lakh (Rs. 13273.37 lakh + Rs. 12.51 lakh + Rs. 7.82 lakh).

2.3.3 Out of the total chargeable amount of Rs. 13293.70 lakh, as stated above, the payment of Rs. 381.05 lakh is pertained to salary and terminal benefits of SLDC.



The Commission admits Rs. 12912.65 lakh (Rs. 13293.70 lakh – Rs. 381.05 lakh) for WBSETCL and Rs. 381.05 lakh for SLDC towards employee cost being uncontrollable in APR for 2012 – 2013.

## 2.4 Operation and Maintenance (O&M) Expenses:

2.4.1 The operation and maintenance expenses, including general administrative expenses, are categorized as controllable. WBSETCL in their APR application for 2012 – 2013 has claimed Rs. 3175.58 lakh under repair and maintenance and Rs. 2863.86 lakh under administrative and general expenses aggregating to Rs. 6039.45 lakh as against a provision in the tariff for 2012 – 2013 for Rs. 3024.47 lakh under repairs and maintenance and Rs. 2548.47 lakh under administrative and general expenses aggregating to Rs. 5572.94 lakh. The administrative and general expenses of Rs. 2863.86 lakh as claimed by WBSETCL includes inter-alia Rs. 72.38 lakh, Rs. 49.84 lakh, Rs. 2.33 lakh and Rs. 55.40 lakh incurred during 2012 – 2013 on account of rent, consultancy charges, legal charges and auditors' fees respectively. Further, as already indicated in paragraph 2.2.1, an excess provision of repair and maintenance for Rs. 51.50 lakh and under provision of administrative charges for Rs. 3.86 lakh was made in the annual accounts for the year 2012 – 2013. Since the expenditures are controllable in nature, no adjustment for prior period expenditure is admissible. The amount claimed by WBSETCL under the head, however, includes Rs. 224.61 lakh towards SLDC expense (Rs. 170.01 lakh under repair and maintenance and Rs. 54.60 lakh under administrative and general expenses).

2.4.2 WBSETCL in their APR application for 2012 – 2013 has claimed an amount of Rs. 1394.45 lakh towards manpower related expenses on account of outsourcing of security services and Rs. 573.42 lakh that of outsourcing of hiring vehicle. In terms of Tariff Regulations, as amended, the aforesaid expenses have been categorized as uncontrollable. However, WBSETCL in their submission of APR



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petition for 2012 – 2013 have not justified the expenditure with a detailed deliberation and its background and by proper submission of documents in terms of regulation 5.22 of the Tariff Regulations, as amended in this regard. It is also found that while projecting such expenses in their MYT petition for the years 2011 – 2012 to 2013 – 2014, no such justification was also found available and as a result, no amount under the head was separately considered by the Commission in the ARR for all the three years of the third control period in the tariff order 2011 – 2012 and 2012 – 2013. It has, however, been highlighted in their APR petition that with the increase in number of sub-station and transmission lines which require regular patrolling, security personnel have been outsourced from outside agencies. But no data regarding increase in sub-station and transmission line over the year has been given by WBSETCL so that the justification of their claim can be judged by the Commission. The Commission also observes that the cost of outsourcing as claimed by WBSETCL for security services and vehicle hiring charges are related to other administrative and general expenses, nevertheless, as per the Tariff Regulations, the expenses under the head are categorized as uncontrollable. In the absence of proper justification and detailed documents as aforesaid, in terms of regulation 5.22 of the Tariff Regulations and for the reason that such types of expenses were already pre-existing under the broad head of administrative and general expenses, the Commission decides not to allow any expenses under the head 'cost of outsourcing' separately in APR for 2012 – 2013 as claimed by WBSETCL.

- 2.4.3 In terms of the Tariff Regulations, O&M expenses are controllable in nature. The Commission, thus, admits the amount of Rs. 5572.94 lakh as provided in tariff order for 2012 – 2013 including Rs. 224.61 lakh for the cost related to SLDC towards operation and maintenance expenses in APR for 2012 – 2013 as follows.





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(Rs. in lakh)

Sl. No.	Particulars	Amount admitted in APR 2012 – 2013		
		WBSETCL	SLDC	TOTAL
1	Repair & Maintenance	2854.46	170.01	3024.47
2	Administrative and General Expenses	2493.87	54.60	2548.47
	Total	5348.33	224.61	5572.94

**2.5 Rates & Taxes (Other than on Income & Profit):**

2.5.1 An amount of Rs. 369.49 lakh was allowed under the head in the tariff order for the year 2012 – 2013. As per Tariff Regulations, such expenditure is a separate item and categorized as uncontrollable. As per note 21 to the annual report and accounts 2012 – 2013 the actual expenditure under the head rates and taxes during the year 2012 – 2013 was Rs. 109.54 lakh. Besides, WBSETCL paid Rs. 167.50 lakh on account of licence fees and Rs. 16.87 lakh on account of fees for filing petitions totaling to Rs. 184.37 lakh during the year 2012 – 2013 to the Commission. In the tariff order for 2011 – 2012 and 2012 – 2013, the Commission considered the expenses on account of license fees and fees for petition filing under the head of 'rates and taxes' while determining the ARR for all three years of the third control period. It has also been found from the details of other expenses certified by the Chartered Accountants submitted in the APR petition 2012 – 2013 that expenditure for Rs. 141.09 lakh has been incurred by WBSETCL on account of service tax / entry tax. Such expenditure being statutory in nature is also considered under this head 'rates and taxes'. Thus, considering the actual expense of Rs. 109.54 lakh booked under this head along with Rs. 184.37 lakh incurred by WBSETCL towards licence fees / petition filing fees paid to the Commission and Rs. 141.09 lakh towards service tax / entry tax aggregating to Rs. 435.00 lakh. The amount of Rs. 435.00 lakh is admitted in the APR for 2012 – 2013. No amount under this head is, however, found to be admissible for SLDC.



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2.5.2 The above amount of expense is admitted subject to condition that the same does not include any penalty / fine etc. It is directed that WBSETCL shall furnish the details of rates and taxes paid during 2013 – 2014 along with APR petition for 2013 – 2014.

**2.6 Insurance Premium:**

2.6.1 In the Tariff Regulations, the expenditure towards insurance premium has been categorized as uncontrollable. No amount was admitted in the ARR for 2012 – 2013 in the tariff order for 2011 – 2012 and 2012 – 2013. It is seen from the audited annual accounts that the actual expense under the head was Rs. 0.65 lakh. The Commission, thus, admits Rs. 0.65 lakh incurred by WBSETCL towards insurance premium in the APR for 2012 – 2013.

**2.7 Interest on Borrowed Capital:**

2.7.1 In the tariff order for 2011 – 2012 and 2012 – 2013, an amount of Rs. 16922.05 lakh was allowed in the ARR for 2012 – 2013 towards interest on borrowed capital while net amount of interest expense booked in the annual accounts for 2012 – 2013 is Rs. 18802.06 lakh vide Note no. 20 thereto. In APR application for 2012 – 2013, WBSETCL has claimed a sum of Rs. 17381.17 lakh for interest charges on borrowed capital of WBSETCL as per Form 1.17 and Form E(T) against loans as shown in Form – C to Annexure – I of the APR application, as under:

Sl. No.	Source of Borrowings	Amount of chargeable interest as per Form C (Rs. in Lakh)
1	Market bonds for creation of pension fund (8.50%)	2295.00
2	Secured redeemable non-convertible bond (9.75%)	1345.60
3	Secured redeemable non-convertible bond (10.29%)	2570.27
4	PFC Limited	152.49
5	REC Limited	4058.84
6	L.I.C.I. Limited	1161.02



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7	Term loans from Corporation Bank	1712.60
8	Term loans from ICICI Bank	699.45
9	NABARD	60.29
10	Working capital loan from UBI	835.61
11	Govt. of West Bengal	8356.78
12	Normative loan	1709.72
	<b>Total</b>	<b>24957.67</b>
13	Less: Interest capitalization	4445.89
	Interest on Pension Bond	2295.00
	Interest on working capital loan from UBI	835.61
14	<b>Total deduction</b>	<b>7576.50</b>
15	<b>Interest chargeable to Revenue Account [15 = (13)-(14)]</b>	<b>17381.17</b>

Above claim of interest of Rs. 17381.17 lakh is exclusive of interest on working capital loan for Rs. 835.61 lakh and interest on pension bond for Rs. 2295.00 lakh, but including interest of normative loan for Rs. 1709.72 lakh.

2.7.2 Interest on Normative Loan: WBSETCL has claimed a sum of Rs. 1709.72 lakh towards interest on normative loan as stated in the earlier paragraph. The Commission has observed that WBSETCL has drawn total capital loan of Rs. 163120.68 lakh during the years from 2007 – 2008 to 2012 – 2013 but actual addition to fixed assets is worked out to Rs. 196821.16 lakh during that period as shown in the table below:

Rs. in lakh

Year	Actual addition to debt	Actual addition to Fixed Assets
2007 – 2008	29249.00	0.00
2008 – 2009	23427.00	32637.10
2009 – 2010	54041.00	70342.68
2010 – 2011	11443.47	24742.55
2011 – 2012	38650.84	23698.70
2012 – 2013	6309.37	45400.13
<b>Total</b>	<b>163120.68</b>	<b>196821.16</b>



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Since actual addition to debt is higher than 70% of addition to fixed assets, WBSETCL is not entitled further to get any allowance for interest on normative loan. The Commission does not admit any amount on account of normative interest for the year 2012 – 2013.

2.7.3 Considering the above, the allowable interest on borrowed capital comes to Rs. 15671.45 lakh [(Rs. 17381.17 lakh) – (Rs. 1709.72 lakh)] and the same is admitted by the Commission in the APR for 2012 – 2013.

### 2.8 Interest on Bonds for creation of Pension Funds:

2.8.1 To take care of unfunded liability towards staff terminal benefits on actuarial determination, Bonds (8.5%) were issued and the amount pertaining to WBSETCL was considered as Rs. 27000.00 lakh. The annual interest charge on these Bonds was considered as Rs. 2295.00 lakh. It came out from the audited accounts that no variation in the amount of principal and chargeable interest was there. The amount of Rs. 2295.00 lakh was also considered in the tariff order. The Commission admits Rs. 2295.00 lakh under this head in APR 2012 – 2013.

### 2.9 Interest on Working Capital:

2.9.1 No amount under the head interest on working capital was provided in the ARR for 2012 – 2013. But, in the APR for 2012 – 2013, WBSETCL has claimed an amount of Rs. 835.61 lakh as interest on working capital.

2.9.2 WBSETCL obtained short term specific loan from UBI to meet up its working capital needs. As per their submission in form 1.17(b) and in terms of Form – C of Annexure – I, they have indicated the rate of interest of such loan availed by them as 12.40%. The weighted average rate of actual interest comes to Rs. 7.26%.



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2.9.3 In terms of regulations 5.6.5.1 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 18% on the base amount derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc. The rate of interest on working capital so assessed on normative basis shall be equal to short term PLR of State Bank of India as on 1<sup>st</sup> April of the year preceding the year for which tariff is proposed to be determined. The rate of interest of SBI PLR as on 1<sup>st</sup> April, 2011 was 13% per annum. During APR, interest on working capital will be allowed on the amount so assessed on normative basis or actual amount of interest paid, whichever is less. The following are the calculation in this regard.

Sl. No.	Particulars	Amount in Rs. in lakh	Amount in Rs. in lakh
1	Annual Fixed charges for 2012 – 2013 (excluding interest on working capital and incentive)		89446.07
	Less:		
2	Depreciation	13749.37	
3	Advance against depreciation	-	
4	Return on Equity	23014.93	
5	Provision for Bad Debt	-	
6	Reserve for Unforeseen Exigencies	-	
7	Deferred Revenue Expenses	-	
8	Special Appropriation	-	
9	Other Non-Cash Exp., if any	-	36764.30
10	Allowable Fixed Charges for computation of working capital [(1) – (9)]		52681.77
11	Allowable Working Capital [18% of (10)]		9482.72
12	Interest on Working Capital @ 13.00% on (11) above		1232.75
13	Actual interest for working capital paid		835.61
14	Interest on working capital admitted		835.61

2.9.4 It is seen from above that actual interest paid by WBSETCL during the year was less than the normative interest on working capital and the Commission thus admits Rs. 835.61 lakh, i.e., the actual interest paid by WBSETCL.



**2.10 Other Finance Charges:**

2.10.1 An amount of Rs. 171.04 lakh was provided under the head in tariff order for 2012 – 2013. As per the audited annual reports and accounts 2012 – 2013, 'other finance charges' comes to Rs. 34.21 lakh for booking of service fees / commitment charges, guarantee charges and bank charges.

2.10.2 The total amount of expenses claimed by WBSETCL in Form 1.17(c) towards other finance charges is Rs. 34.21 lakh. The Commission, however, considers to admit an amount of Rs. 32.96 lakh in APR 2012 – 2013 of WBSETCL comprising service fee/commitment charge, guarantee charges and other bank charges after adjustment of prior period finance charges of Rs. 1.25 lakh written back as mentioned in paragraph 2.2.1.

**2.11 Depreciation:**

2.11.1 An amount of Rs. 13699.59 lakh was actually charged to the profit and loss accounts towards depreciation on assets which is inclusive of Rs. 0.83 lakh towards depreciation on assets of SLDC as against Rs. 15673.89 lakh allowed in the ARR for the year 2012 – 2013. In regard to the value of fixed assets accounted for and the amount of chargeable depreciation, the statutory auditors made number of adverse comments, especially in regard to non-amortization of the cost of leasehold land etc. In the absence of proper details, the auditors could not quantify the financial implications in this regard. However, as indicated in paragraph 2.2.1, the net prior period adjustment includes under provision of depreciation of previous year amounting to Rs. 50.61 lakh requiring a positive adjustment. Amount chargeable to depreciation during 2012 – 2013 thus comes to Rs. 13750.20 lakh (Rs. 13699.59 lakh + Rs. 50.61 lakh) vide note – 10 of notes to accounts of the audited annual accounts. The Commission, therefore, going by the audited accounts, admits the amount of Rs. 13750.20 lakh charged



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in the books of WBSETCL including that of SLDC for Rs. 0.83 lakh in the APR for 2012 – 2013.

**2.12 Advance against Depreciation:**

2.12.1 The Tariff Regulations of the Commission provides for allowing advance against depreciation when the amount of annual depreciation falls short of the amount of loan repayment in any financial year. The amount of loan repayment, however, is to be restricted to 1/10<sup>th</sup> of the principal amount of original loans. No amount was allowed to WBSETCL in the ARR for the year 2012 – 2013 under the head.

2.12.2 The original amount of loan vis-à-vis repayment made during 2012 – 2013 as shown by WBSETCL in their application (Form – C) are depicted in the table below:

Sl. No.	Particulars	Amount (Rs. in Lakh)	
		Principal amount of Original Loan	Repayment made during 2012 - 2013
1	WBSETCL Bonds (9.75%)	18300.00	-
2	WBSETCL Bonds (10.29%)	25000.00	-
3	PFC Ltd (9.74%)	4904.00	421.11
4	RECL (11.06%)	67235.00	4885.39
5	L.I.C.I (10.10%)	16365.00	-
6	NABARD (10.25%)	20424.00	-
7	Allahabad Bank (11.98%)	20000.00	837.12
8	ICICI Bank (11.91%)	9000.00	750.00
9	Govt. of W.B. (8.50%)	117195.00	4741.74
	<b>Total</b>	<b>298423.00</b>	<b>11635.36</b>

2.12.3 While arriving at the amount of repayment, the amounts of Rs. 1830.00 lakh utilized by WBSETCL towards swapping / refinancing of loan and Rs. 587.63 lakh against normative loan have been excluded.



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2.12.4 In terms of the Tariff Regulations, the actual admissible amount of advance against depreciation in this regard works out as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
(a)	Repayment of Loans during the year	11635.36
(b)	1/10 <sup>th</sup> of Principal loan amount of Rs. 298423.00 lakh	29842.30
(c)	Admissible amount of loan repayment restricted to 1/10 <sup>th</sup> of original principal loan amount.	11635.36
(d)	Depreciation admitted in APR for 2012 – 2013 (excluding amount of SLDC)	13749.37
(e)	Allowable advance against depreciation (c-d)	0.00

2.12.5 The Commission, thus, does not admit any amount in the APR for 2012 – 2013 as advance against depreciation.

**2.13 Interest Credit:**

2.13.1 In terms of regulation 5.5.3 of the Tariff Regulations, the actual amount of loan repayment during 2012 – 2013 being less than the amount allowed as depreciation, an interest credit at the rate of weighted average cost of debt is provided on such excess depreciation charged in respect of WBSETCL. An amount of Rs. 206.12 lakh, as computed hereunder, is deductible from the gross amount of fixed charges.

Sl. No.	Particulars	Amount (Rs. in Lakh)
		As admitted in APR 2012-13
1	Amount of Depreciation	13749.37
2	Loan repayment	11635.36
3	Excess of depreciation over loan repayment (1 – 2)	2114.01
4	Weighted average rate of interest	9.75%
5	<b>Interest credit</b>	<b>206.12</b>





**2.14 Taxes payable under Provisions of Income Tax Act:**

2.14.1 WBSETCL has claimed an amount of Rs. 9205.50 lakh on account of income tax in their APR application 2012 – 2013 against an amount of Rs. 4692.75 lakh considered in the tariff order for the year 2012 – 2013. As per the audited accounts, the actual provision for the year was needed for an amount of Rs. 8330.43 lakh. It has been observed from the Cash Flow Statement for the concerned year certified by the auditors that there was an outflow of cash by Rs. 10045.46 lakh towards payment of income tax including TDS on transmission charges bill of March 2013 and short payment of TDS in form 26AS by banks. However, it has also been found from the submission of WBSETCL vide Annexure – V, that although the amount of Rs. 10045.46 lakh was shown as cash paid in the cash flow statement, actual amount of Rs. 9205.50 lakh has been claimed by income tax department during the year as per 26 AS statement. The Commission, therefore, admits the claim of WBSETCL of Rs. 9205.50 lakh towards income tax in the APR for 2012 - 2013.

2.14.2 WBSETCL is, however, directed to submit copies of assessment orders for the financial year 2011 – 2012 and 2012 – 2013 and copies of the challans for deposit of income tax by them for the respective year in APR petition for the year 2013 – 2014.

**2.15 Reserve for Unforeseen Exigencies:**

2.15.1 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. Accordingly, WBSETCL was allowed the under noted provisions in the tariff since 2006 – 2007:



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Year	Order Reference	Amount (Rs. in Lakh)
2006 - 2007	Order dated 26.09.2008 in Case No. APR-5/07-08 (only relating to transmission)	537.20
2007 – 2008	Order dated 28.05.2009 in Case No. APR-10/08-09	590.51
2008 – 2009	Order dated 28.07.2010 in Case No. APR-13/09-10	789.21
2009 – 2010	Order dated 30.08.2012 in Case No. APR-21/10-11	870.73
2010 – 2011	Order dated 19.10.2012 in Case No. APR-26/11-12	1046.59
<b>Total</b>		<b>3834.24</b>

2.15.2 No amount under the head was admitted by the Commission for all the three years of the third control period in the tariff order for the year 2011 – 2012 and 2012 – 2013. It has been observed in note 3 of the notes to accounts of the audited balance sheet as at 31 March 2013 that WBSETCL has created an amount of Rs. 5908.89 lakh towards reserve for unforeseen exigencies including interest of Rs. 521.16 lakh earned on investment on the reserve in fixed deposits. WBSETCL in their submission under Annexure VI has furnished a statement of the amounts invested in fixed deposits. It is observed from the statement that as on 30.09.2013 an amount of Rs. 4804.69 lakh has been invested in different fixed deposits with banks consisting of Rs. 3834.24 lakh towards reserve for unforeseen exigencies as already admitted by the Commission upto the year 2010 – 2011 and the balance amount of Rs. 907.78 lakh towards interest earned thereto. Nevertheless, as per note 15 of the notes to accounts of the audited balance sheet ending 31<sup>st</sup> March, 2013, the investment in fixed deposits against reserve for unforeseen exigencies has been reflected as Rs. 5837.42 lakh.

2.15.3 In the tariff order for 2012 – 2013, no amount was allowed under this head in the ARR to avoid hike in transmission charge which would ultimately affect consumers' tariff of the distribution licensees. The Commission also considers not to allow any amount under this head in APR 2012 – 2013.



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2.15.4 WBSETCL shall maintain the fund as per provision of the Tariff Regulations and shall furnish the statement indicating opening balance in the fund and year wise interest invested in the fund duly certified by the statutory auditor along with their APR application for 2013 – 2014 onwards.

**2.16 Return on Equity:**

2.16.1 It is evident from the balance sheet to accounts of the audited annual report and accounts 2012 – 2013 that no additional equity was contributed during the year 2012 – 2013 and the balance stands at Rs. 110552.00 lakh. It is also seen that the free reserve & surplus at the beginning of the year was Rs. 63006.42 lakh. However, the balance of profit of Rs. 33302.32 lakh available for appropriation being transferred to general reserve has been considered for determination of closing equity base. Thus, Rs. 33302.32 lakh has been considered as actual induction of equity.

2.16.2 It is further evident in note 10 (Fixed Assets) of the notes to accounts of audited annual accounts as well as Form 1.18 of Annexure – I submitted with the APR application 2012 – 2013, that addition to fixed assets during the year was Rs. 44802.65 lakh excluding consumers' contribution for Rs. 597.48 lakh.

2.16.3 The computations of the Equity Base for allowing returns following the methodology specified in Form 1.20(a) of the Tariff Regulations and the amount of returns are shown hereunder:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	<b>Actual Equity base at the beginning of the year</b>	
	Share Capital	110552.00
	Free Reserve	63006.42
	<b>Total</b>	<b>173558.42</b>
2.	Admissible equity base at the beginning of the year	141763.08
3.	Addition to Equity base during the year	33302.32



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4.	Addition to the Fixed Assets during the year	44802.21
5.	Normative addition to Equity [30% of sl. No. (4) above]	13440.66
6.	Amount to be considered as addition during the year being lower of (3) & (5)	13440.66
7.	Admissible Equity Base at the end of year [7 = (2)+(6)]	155203.74
8.	Average admissible Equity Base [(2+7)/2]	148483.41
<b>9.</b>	<b>Allowable return @ 15.5% on sl. No. (8) above</b>	<b>23014.93</b>

**2.17 State Load Despatch Centre Expenses:**

2.17.1 An amount of Rs. 1415.49 lakh was considered in the ARR of WBSETCL for 2012 – 2013 towards expenditures of SLDC and an income of Rs. 1415.49 lakh per contra was kept in the tariff order of WBSETCL for 2012 – 2013. The Commission in paragraph 2.3.2 of this order has admitted the employee cost pertaining to salary and terminal benefit of SLDC at Rs. 381.05 lakh. Similarly in paragraph 2.4.3 and 2.11.1 the Commission has admitted Rs. 224.61 lakh and Rs. 0.83 lakh respectively on account of operation and maintenance expenses being controllable in nature and depreciation in respect of SLDC. It is also seen from note 21 to the accounts that Rs. 1010.06 lakh was paid as ULDC charges and the same is considered by the Commission as expenses of SLDC. Thus followings are the amounts of expenditure during the year 2012 – 2013 in respect of SLDC which were reflected in the books of accounts of WBSETCL.

(Rs in lakh)

Sl. No.	Particulars		SLDC expenditures admitted by the Commission	
			2012 – 2013	
1	Employee cost		381.05	
2	Operation and Maintenance Expenses		224.61	
3	Depreciation		0.83	
4	ULDC charges		1010.06	
	<b>Total</b>		<b>1616.55</b>	
5	Less:	i) Other Income	294.86	294.86
		ii) STOA charges	0.00	
	<b>Grand Total</b>		<b>1321.69</b>	



2.17.2 The Commission in the tariff order dated 01.12.2012 in case no. TP-50/11-12 in respect of WBSETCL directed WBSETCL to levy SLDC charge @ 0.50 paise / kWh from the licensees using intra-State transmission systems in the State during the year 2012 – 2013. Accordingly, an amount of Rs. 1415.49 lakh was deducted from the ARR for the year 2012 – 2013 in the tariff order of WBSETCL for 2012 – 2013 as income from SLDC charges. Now in this APR for 2012 – 2013 of WBSETCL, the expenditure related to SLDC has been excluded in determining the revised ARR of WBSETCL for 2012 – 2013. Thus the income from charges as considered in the tariff order for 2012 – 2013 is not considered in the APR of WBSETCL for 2012 – 2013.

**2.18 Charges Payable for Bakreswar and Santaldih Transmission Systems:**

2.18.1 WBSETCL is operating the associated transmission system constructed by West Bengal Power Development Corporation Limited (in short 'WBPDC') along with the Bakreswar and Santaldih Power Stations. WBPDC is to recover, the expenditure incurred by them relating to these transmission systems, from WBSETCL in instalments. The amount payable in 2012 – 2013 on this account was Rs. 4573.69 lakh comprising depreciation, interest on borrowed capital and return on equity relating to the associated transmission system of Bakreswar generating station as provided in the tariff order. An amount of Rs. 1769.15 lakh was also payable by WBSETCL to WBPDC during the year 2012 – 2013 on account of recovery of additional fixed cost of the associated transmission system of Bakreswar generating station in instalment as determined in the Commission's order dated 16.01.2009 in case no. OA-48/08-09. Thus, an amount of Rs. 6342.84 lakh (Rs. 4573.69 lakh + Rs. 1769.15 lakh) was payable to WBPDC by WBSETCL during 2012 – 2013. A further sum of Rs. 1427.22 lakh being short payment for the year 2011 – 2012 was also payable to WBPDC. Hence, a total amount of Rs. 7770.06 lakh (Rs. 6342.84 lakh + Rs. 1427.22 lakh) was payable to WBPDC by WBSETCL during the year 2012 – 2013.



**Order on APR of WBSETCL for the year 2012-13**

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2.18.2 In the tariff order dated 1.12.2012 in respect of WBSETCL the Commission thus considered Rs. 7770.06 lakh as payable by WBSETCL to WBPDCCL during the year 2012 – 2013.

2.18.3 As per note – 21 of the notes to accounts of the audited accounts 2012 – 2013, an amount of Rs. 7770.06 lakh was paid by WBSETCL towards transmission charges to WBPDCCL during 2012 – 2013. The Commission now admits the amount of Rs. 7770.06 lakh on account of charges payable to WBPDCCL for Bakreswar and Santaldih transmission systems in the APR for 2012 – 2013. In its order dated 09.09.2013 in case no. APR-32/12-13 of WBSETCL, the Commission allowed to consider Rs. 1577.44 lakh on account of the balance amount payable to WBPDCCL for the year 2011 – 2012. Thus, a total amount of Rs. 9737.89 lakh (Rs. 8160.45 lakh + Rs. 1577.44 lakh) is payable to WBPDCCL during 2012 – 2013. Out of above, Rs. 7770.06 lakh has already been paid by WBSETCL. The Commission will consider the balance amount of Rs. 1967.83 lakh (Rs. 9737.89 lakh - Rs. 7770.06 lakh) in the tariff of 2014 – 2015.

2.18.4 The Commission shall, however, determine the admissible fixed charge of Bakreswar Transmission system and Santaldih Transmission system for the year 2012 – 2013 in the APR order for 2012 – 2013 in respect of WBPDCCL. Adjustment, if any, on the payable amount of WBSETCL to WBPDCCL for the Bakreswar and Santaldih Transmission systems due to APR of WBPDCCL for 2012 – 2013, shall be dealt with in the tariff order in respect of WBPDCCL for the year 2014 – 2015.

**2.19 Charges Payable to Eastern Regional Power Committee (ERPC):**

2.19.1 The amount of Rs. 15.00 lakh towards charges payable to Eastern Regional Power Committee (in short “ERPC”) by WBSETCL for which a provision was considered in ARR for the year 2012 – 2013. As per note 21 of the notes to accounts of the audited annual reports and accounts 2012 – 2013, an amount of



Rs. 15.00 lakh was paid to ERPC. Thus the Commission admits the amount of Rs. 15.00 lakh in the APR for 2012 – 2013 of WBSETCL.

**2.20 Incomes from Non-Tariff Sources:**

2.20.1 The incomes derived from other non-tariff sources during the year 2012 – 2013 was Rs. 1614.73 lakh as per note 18 of the notes to accounts of the audited annual accounts of WBSETCL as against Rs. 900.00 lakh considered in the tariff order for the concerned year. Out of Rs. 1614.73 lakh, Rs. 521.16 lakh was relating to interest on fixed deposits against reserve for unforeseen exigencies which in term of the Tariff Regulations is required to be reinvested and is to be excluded from the non-tariff income for the purpose of determination of APR. Thus, an amount of Rs. 1093.57 lakh (Rs. 1614.73 lakh – Rs. 521.16 lakh) is arrived at towards income from non-tariff sources including Rs. 294.86 lakh pertaining to SLDC and the same is admitted by the Commission in the APR for 2012 – 2013 in line with the tariff order for the same period.

2.21 Based on the analyses and admission of the adjustments under different uncontrollable factors / elements of fixed charges, the Commission now proceeds to sum up the findings as to ascertain the total amount adjustable on APR for the year 2012 – 2013. Such summarization is given in the statement in Annexure – 2A to this chapter.

2.22 It may be seen from the statement in Annexure – 2A that the net amount of Annual Fixed Cost (AFC) for the year 2012 – 2013 comes to Rs. 90281.68 lakh after deductions of the amounts as specified in paragraphs 2.20 from the gross revenue requirement.

**2.23 Income from Short Term Open Access Charges (STOA):**

2.23.1 An amount of Rs. 3500.00 lakh was provided in the tariff order for 2012 – 2013 under the above heads. As per note 17 of the notes to accounts of the audited



## Order on APR of WBSETCL for the year 2012-13

annual report and accounts for 2012 – 2013, an amount of Rs. 6121.26 lakh was earned by WBSETCL under the head. Thus, total income of Rs. 6121.26 lakh from STOA charges is being considered by the Commission as income during the year 2012 – 2013 and dealt with in next chapter

### 2.24 Incentive for Transmission Licensee:

2.24.1 WBSETCL in their application at paragraph (XIV) in the submissions on APR for 2012 – 2013 and in Form 1.23 of Annexure – I, has mentioned their availability during the year 2012 – 2013 as 99.91%. In this regard, WBSETCL has furnished detailed calculation and computation of availability from SLDC. An amount of Rs. 138.76 lakh has been claimed as incentive as per paragraph 8 of schedule 10 of the Tariff Regulations. The Commission considers to admit the amount of Rs. 134.99 lakh as per computation given below on account of incentive in the APR for 2012 – 2013.

Rs. in lakh		
Sl. No.	Item	Amount
1	Net Revenue requirement of WBSETCL excluding incentive (Refer Annex. – 2A)	90281.68
2	Less. STOA charge received	6121.26
3	Net Annual Transmission charges	84160.42
4	Annual availability	99.91%
5	Target availability	99.75%
6	Incentive $[84160.42 \times (99.91 - 99.75) / 99.75]$	134.99

### 2.25 Fixed Charges as admitted:

2.25.1 Based on the foregoing analyses, the total amount of fixed charges allowable WBSETCL has been shown in Annexure 2A. As may be seen there-from, the allowable fixed charges come Rs. 90416.67 lakh.





## ANNEXURE – 2A COMPUTATION OF ANNUAL FIXED CHARGES

Amount (Rs. in Lakh)

Sl. No.	HEAD OF FIXED CHARGES	As Admitted in APR (including SLDC expenses)		
		WBSETCL	SLDC	TOTAL
1	Employee Cost	12912.65	381.05	13293.70
2	Operation & Maintenance Expenses:			
	Repairs and Maintenance	2854.46	170.01	3024.47
	Administrative and General charges	2493.87	54.60	2548.47
3	Rates & Taxes (Other than on Income & Profit)	435.00	0.00	435.00
4	Insurance Premium	0.65	0.00	0.65
5	Interest on Capital borrowings	15671.45	0.00	15671.45
6	Interest on Temporary Accommodation	0.00	0.00	0.00
7	Interest on Bonds for employees' Terminal Benefit	2295.00	0.00	2295.00
8	Interest on Working Capital	835.61	0.00	835.61
9	Other Finance Charges	32.96	0.00	32.96
10	Depreciation	13749.37	0.83	13750.20
11	Advance against Depreciation	0.00	0.00	0.00
12	Charges payable to WBPDCCL on account of Bakreswar & Santaldih transmission systems	7770.06	0.00	7770.06
13	Taxes under Income Tax Act	9205.50	0.00	9205.50
14	Write off of Deferred Expenditure	0.00	0.00	0.00
15	Reserve for Unforeseen Exigencies	0.00	0.00	0.00
16	Returns on Equity	23014.93	0.00	23014.93
17	ULDC charges (Refer para 2.17.1)	0.00	1010.06	1010.06
18	Charges payable to ERPC	15.00	0.00	15.00
<b>19</b>	<b>Gross Revenue Requirement (1 to 18)</b>	<b>91286.51</b>	<b>1616.55</b>	<b>92903.06</b>
	<b>Less:</b>			
20	Income from non-tariff sources	798.71	294.86	1093.57
21	Interest Credit	206.12	0.00	206.12
<b>22</b>	<b>Net Revenue Requirement [(19)-(20)-(21)]</b>	<b>90281.68</b>	<b>1321.69</b>	<b>91603.37</b>
23	Add: Incentive	134.99	0.00	134.99
<b>24</b>	<b>Aggregate Revenue Requirement (ARR) (22+23)</b>	<b>90416.67</b>	<b>1321.69</b>	<b>91738.36</b>



## **CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW**

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- 3.1 As shown at the paragraph 2.25 of the previous chapter, the re-determined amount of fixed charges of WBSETCL for the year 2012 – 2013 comes to Rs. 90416.67 lakh which may be considered as realizable revenue from operation of WBSETCL for 2012 – 2013 and excludes the expenses related to SLDC.
- 3.2 The Commission is now to see how much revenue from operation had been earned by WBSETCL by way of transmission charges and short term open access charges with reference to its audited accounts. It is seen from note 17 to the annual report and accounts 2012 – 2013 that the transmission charge realized during the year 2012 – 2013 was Rs. 95072.10 lakh. This amount includes Rs. 11314.72 lakh on account of revenue for previous year and accounted for during the current year i.e., 2012 – 2013, vide note 17.2 of the notes to accounts of annual report and accounts 2012 – 2013. Thus, actually an amount of Rs. 83757.38 lakh (Rs. 95072.10 lakh - Rs. 11314.72 lakh) has been realized for the year 2012 – 2013. The Commission in its order dated 01.12.2012 in case no. TP-50/11-12 allowed WBSETCL to recover an amount of Rs. 83757.38 lakh as transmission charge for 2012 – 2013 from its system users and any under recovery for the year 2012 – 2013 had to be realized in 4 (four) equal instalments during December, 2012 to March, 2013. Thus the amount of Rs. 83757.38 lakh is being considered as revenue earned by WBSETCL as transmission charge for 2012 – 2013. WBSETCL has also earned Rs. 6121.26 lakh on account of short term open access charges during the year 2012 – 2013 as already explained in paragraph 2.23.1 in chapter 2 of this order. The amount of Rs. 6121.26 lakh is also to be considered as revenue income during the year 2012 – 2013. Thus, the total revenue income comes as under.



**Order on APR of WBSETCL for the year 2012-13**

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Revenue from transmission charged as per note 17 of audited annual reports and accounts of WBSETCL for 2012 – 2013	83757.38
2.	Add: Short term open access charges pertaining to WBSETCL only excluding scheduling SLDC charges (Refer paragraph 2.23.1)	6121.26
3.	Revenue realized from operation for the year 2012 – 2013	89878.64

- 3.3 As it comes out from the findings in paragraph 3.1 and 3.2 above, WBSETCL is to recover an amount of Rs. 538.03 lakh (Rs. 90416.67 Lakh – Rs. 89878.64 Lakh) as given below:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Approved realizable revenue admitted in APR for 2012 – 2013	90416.67
2.	Actual amount of revenue from operation realized for the year 2012 – 2013 as per paragraph 3.2	89878.64
3.	Additional net revenue amount to be recovered for 2012 – 2013	538.03

- 3.4 In terms of the Tariff Regulations, the entire recoverable amount of Rs. 538.03 lakh or a part thereof may 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 WBSETCL for the year 2014 – 2015 or any ensuing year or in a separate order.
- 3.5 WBSETCL is directed to comply with the directions given in paragraphs 2.14.2 and 2.15.4 in the preceding chapter of this order.
- 3.6 WBSETCL is to take a note of this order.

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

**DATED: 10.06.2014**