



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 31 / 12 – 13

**IN RE THE APPLICATION OF THE
WEST BENGAL POWER DEVELOPMENT
CORPORATION LIMITED FOR
ANNUAL PERFORMANCE REVIEW
OF THE FINANCIAL
YEAR 2011 – 2012**

DATE: 05.09.2013



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 performances and projected performances 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 Power Development Corporation Limited (hereinafter referred to as the 'WBPDCCL') submitted its application for the same on 30 November, 2012 for the financial year 2011 – 2012. The application was numbered as APR-31/12-13. It provided the related information as required for APR along with the copy of its audited annual accounts for the concerned year. It also submitted separate generating station-wise audited data in respect of Kolaghat, Bakreswar, Bandel, Santaldih and Sagardighi Thermal Power Stations for the year 2011 – 2012.
- 1.2 WBPDCCL on 6th December, 2012 requested the Commission to permit them to submit supplementary application for 2011 – 2012 to comply with the directions given in the tariff order passed by the Commission for 2011 – 2012 and 2012 – 2013 on 1.12.2012, i.e., after submission of their APR application for 2011 – 2012. WBPDCCL was, however, allowed to submit the supplementary application to the APR application for 2011 – 2012. Accordingly, WBPDCCL submitted a supplementary application to the APR application for 2011 – 2012 on 05.04.2013.



- 1.3 The APR application of WBPDCCL for the year 2011 – 2012 is its first application for the APR of the third control period under Multi Year Tariff (MYT) approach covering the years 2011 – 2012, 2012 – 2013 and 2013 – 2014. The adjustments, as were found necessary on review of the performances of earlier years were effected while determining the amounts recoverable through tariff in respect of its different generating stations during the years following the years of such review. Similarly, the adjustments as may arise out of the review of the instant application for 2011 – 2012 will be considered for giving effect while determining the amount of revenue recoverable through tariff of concerned generating stations during the year 2013 – 2014 or any subsequent year or through a separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.4 WBPDCCL has submitted their application for Annual Performance Review for 2011 – 2012 in terms of the provision contained in the Tariff Regulations and the instant application needs to be dealt with as per provisions of the Tariff Regulations.
- 1.5 APR is to cover the annual fixed costs and fixed charges that is to be allowed to the generating company along with incentive and gain sharing as allowable. For fixed cost determination under APR, the normative parameters, method of calculations and principles of calculation as had been followed in tariff order for the relevant year are considered.
- 1.6 The APR for the year 2011 – 2012 is, therefore, the review of the different factors, such as elements of fixed charges, categorized as controllable and uncontrollable allowed to WBPDCCL through the ARR for the year 2011 – 2012, vis-à-vis the actuals as per the audited accounts. The instant application of WBPDCCL for the year 2011 – 2012 is being viewed in the subsequent parts of this order.



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- 1.7 The application of APR of 2011 – 2012 of WBPDCCL submitted by WBPDCCL on 30.11.2012 along with the supplementary application submitted on 05.04.2013 was admitted by the Commission in case no. APR-31/12-13. The Commission also approved the gist of the APR application submitted by WBPDCCL. After admission of the application WBPDCCL was directed to publish the approved gist of the application in newspapers and also in their website in terms of regulation 2.6.12 of the Tariff Regulations. Accordingly, the gist of the application was published simultaneously in 'Bartaman', 'Ei Samay', 'The Times of India' and 'The Statesman' on 4th May, 2013 inviting suggestions and objections on the APR application along with the supplementary application from all interested parties and members of the public. The gist was also posted in the website of WBPDCCL. A copy of the petition as mentioned above for the year 2011 – 2012 was also posted in the website of WBPDCCL.
- 1.8 The last date for submission of objections and suggestions by the interested parties at the office of the Commission was 31.05.2013.
- 1.9 No suggestions and objections on the application of WBPDCCL for APR in respect of the year 2011 – 2012 was received by the office of the Commission within the stipulated time i.e. 31.05.2013.
- 1.10 In its instant application for APR in respect of the financial year 2011 – 2012, WBPDCCL brought out the following issues for the consideration of the Commission.
- 1.10.1 During the year under review, there has been substantial under-recovery of capacity charges due to non-attainment of normative availability by almost all the generating stations of WBPDCCL (Bakreswar Thermal Power Station is the only exception). The major reasons for such non-availability were ageing of the plants (Kolaghat TPS and Bandel TPS), forced outages due to tube-leakage / earth fault, low system demand and back down, inferior quality of coal supplied by M/s



BCCL and M/s MCL which were beyond the control of WBPDCCL. WBPDCCL has requested the Commission to consider for allowing the capacity charge as incurred in order to avoid severe fund flow crisis which is directly related to debt-servicing of borrowings made for new projects.

- 1.10.2 WBPDCCL highlighted that the increase in employees' costs compared to previous year for different generating stations in operation is due to normal increase in dearness allowances, increments and other allowances as per Revision of Pay and Allowances, 2009 from time to time. Employee cost being an uncontrollable factor, WBPDCCL requested to allow the expenditure shown in the Profit and Loss Accounts for the year 2011 – 2012. WBPDCCL further stated that like earlier years, they adopted the mandatory requirement of the Accounting Standard – 15 (revised) issued by the Institute of Chartered Accountant of India (in short "AS-15") on 'Employees Benefit' and charged in their Profit and Loss Account for 2011 – 2012.
- 1.10.3 WBPDCCL also highlighted that there is no disproportionate increase in the cost of coal and ash handling and other fuel related costs keeping in view the improvement in generation achieved compared to previous year. It is mentioned by WBPDCCL that the detention charges included in the cost under the head increased during the year due to increased volume of coal supply during the year (comprising increased supply from BCCL having substantial quantity of stone, boulders, etc.). WBPDCCL has also pointed out several reasons viz. space constraints for improvement in unloading facility at Kolaghat, very old wagon trippers at Bandel, non sequential supply of coal from different locations, increase in supply of inferior quality of coal, etc. However, they are taking all out efforts to reduce the detention charges by augmenting the unloading facility within their reach. WBPDCCL has prayed to consider favourably the claim of detention charges submitted in their application and to allow the expenditure under the head coal and ash handling charges claimed by them as pass through element in tariff which is categorized as uncontrollable element in the Tariff



Regulations. The Commission feels that the detention charges as mentioned by WBPDCCL is basically the demurrage charge of railway rake, being commercial terms and conditions of freight and to be included in the fuel related cost in terms of regulation 5.8.1(vi) of the Tariff Regulations.

- 1.10.4 The payments of water cess and water charges to the respective statutory authorities for all the generating stations at actuals based on the applicable rates had also been highlighted with the request for consideration of recovery through tariff since the same is categorized as an uncontrollable element in the Tariff Regulations.
- 1.10.5 WBPDCCL also clarified the reasons of deviations of actual expenditure under all other different heads of accounts with the provisions considered in the tariff order for the concerned year, i.e., 2011 – 2012.
- 1.11 WBPDCCL provided the clarifications in regard to the compliance of different directives.
- 1.12 The Commission has taken careful note of the above representations made by WBPDCCL and the relevant issues will be addressed to and the views will be taken accordingly while examining the admissibility of expenses under different heads of accounts. It is, however, to clarify, at the out set, that the APR aims at examining the admissibility of fixed charges on different accounts and ascertaining the amounts of appropriate adjustments in terms of the Commission's Tariff Regulations.
- 1.13 The APR is to cover the annual fixed charges allowed to the generating company, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. Element of gain sharing on account of achieving better operational norms, however, was not considered for WBPDCCL



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while determining its Aggregate Revenue Requirement (in short 'ARR') for its different generating stations for the year 2011 – 2012. Moreover, the incentives and the sharing of gains in terms of the referred schedules to the Tariff Regulations are made allowable for the year 2008 – 2009 onwards.

- 1.14 The APR for the year 2010 – 2011 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBPDCCL for its operating units of Kolaghat, Bakreswar (Units I to V), Bandel, Santaldih (Unit V and VI) and Sagardighi generating stations through the ARR for the year 2011 – 2012, vis-à-vis the actuals as per the audited accounts. The instant application of WBPDCCL for the year 2011 – 2012 is being viewed in the subsequent parts of this order.
- 1.15 The Commission has already ascertained the total amount of variable cost that could be allowed to WBPDCCL in the year 2011 – 2012 vide Commission's order dated 04.07.2013 in Case no. FPPCA – 61 / 12 – 13. The instant order is, therefore, exclusively for ascertaining the allowable total amount of fixed charges for the year 2011 – 2012. The matter is being taken up in the next chapters



CHAPTER – 2 FIXED CHARGES

2.1. The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed and in case of any savings located under controllable head it will go to their account. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actuals based on audited accounts of WBPDCCL is being taken up hereunder one by one.

2.2. **Employee Cost:**

2.2.1 The employees' cost is an element of uncontrollable fixed charges subject to the norms of Man/MW ratio specified by the Commission in Schedule – 9A of the Tariff Regulations. As per information provided by WBPDCCL in the unit wise audited accounts for 2011 - 2012, the total number of employees in each operating generating station under review is found in order as per the specified norms of Man/MW ratio.

2.1.1.1 Employees cost includes mainly salary and wages, contribution to funds for welfare expenses viz. medical expenses and centrally maintained employees cost apportioned to the generating stations. The total employee cost as per unit wise audited accounts for 2011 – 2012 and claimed by WBPDCCL are as under:



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Sl. No.	Generating Station	Amount in Rs. Lakh
1	Kolaghat	10408.07
2	Bakreswar	6550.96
3	Bandel	5203.64
4	Santaldih	4925.75
5	Sagardighi	3952.72
	Total	31041.14

2.2.2 In the tariff order dated 1.12.2012 for the years 2011 – 2012 and 2012 – 2013, the Commission considered the station wise employee cost after making station wise appropriation of the total employee cost of Rs. 31041.14 lakh as found in the annual report and accounts for 2011 – 2012 in the same ratio of their station wise projection and deducted a part of the employee cost as stated in the order. In the tariff order, the Commission viewed that in the station wise projection of employee cost WBPDC estimated the employee cost in two parts – (i) salaries and (ii) others. As in regard to others, WBPDC had not given any explanation in the tariff petition and the Commission decided to deduct 10% of such estimated cost for each generating station. WBPDC in the supplementary application to the APR for the year 2011 – 2012 has referred the issue and stated that the breakup of the employee cost including others as projected in their tariff petition for 2011 – 2012, 2012 - 2013 and 2013 – 2014 were given in form 1.12 and 1.17 (h) of their tariff petition. It is seen from the detail breakup of employee cost that 'others' constituted the employer's contribution to PF, gratuity and welfare expenses which are the part of employee cost. Thus, the Commission considers not to deduct any amount from the actual station wise expenses in respect of employee cost and allowed the station wise employee cost for the year 2011 – 2012 as follows:



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Rs. in Lakh

Sl. No.	Generating Station	Amount admitted in APR for 2011 – 2012
1	Kolaghat	10408.07
2	Bakreswar	6550.96
3	Bandel	5203.64
4	Santaldih	4925.75
5	Sagardighi	3952.72
	Total	31041.14

2.3 Water Charges:

2.3.1 The actual amount of total expenditure incurred by WBPDCCL under this uncontrollable head of accounts was found Rs. 674.58 lakh as per audited accounts as against Rs. 292.16 lakh allowed in the tariff for the concerned year.

2.3.2 WBPDCCL in their APR application for 2011 – 2012 has submitted that the payment of water cess and water charges had been paid to the respective statutory authorities for all the generating stations at actual based on the rate applicable. As the expenditures under this head has been categorized as uncontrollable in the Tariff Regulations, WBPDCCL has prayed to allow the actual amount in APR. WBPDCCL has, however, not mentioned in their submission regarding any changes in the rate of water cess during the year.

2.3.3 The water charges are categorized as uncontrollable in the Tariff Regulations. The Commission observed that during 2011 – 2012, the actual generation fell short of target generation in respect of all other generating stations, excepting Bakreswar. The Commission decides to view the amount claimed with reference to the targets set for generation and actual generation as highlighted hereunder:



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Rs. in Lakh

Generating Station	Target Generation (MU)	Exp. as per tariff order	Actual Generation (MU)	Expenses Proportionate to Actual Generation	Actual Expenses	Expenses admitted in APR for 2011 – 2012
Kolaghat	8079.82	25.76	7560.883	24.11	40.82	24.11
Bakreswar	7378.02	26.48	7725.426	27.73	45.16	27.73
Bandel	2608.79	150.90	1862.103	107.71	281.25	107.71
Santaldih	2640.66	74.78	2581.596	73.10	296.12	73.10
Sagardighi	4216.48	14.24	4078.030	13.77	11.23	11.23
Total	24923.77	292.16	23808.038	246.42	674.58	243.88

2.3.4 The Commission decides to admit the actual expenses incurred in respect of Sagardighi generating stations and the expenses proportionate to actual generation in respect of Kolaghat, Bakreswar, Bandel and Santaldih generating stations, since their actual expenses are even much higher than the proportionate expenditure with reference to the actual generation. The aggregate amount of Rs. 243.88 lakh is thus admitted by the Commission towards water charges in APR for 2011 – 2012.

2.4 Coal, Ash Handling and Fuel Related Cost:

2.4.1 WBPDCCL has asked for adjustments, on coal and ash handling and other fuel related cost viz. railway staff cost posted at generating stations and detention charges paid, siding and shunting charges, etc. through the instant application of APR. The amounts of such costs for different generating stations, as claimed by WBPDCCL, are as under:

Sl. No.	Generating Station	Amount in Rs. Lakh
1	Kolaghat	2948.62
2	Bakreswar	1090.61
3	Bandel	854.16
4	Santaldih	410.12
5	Sagardighi	434.85
	Total	5738.36



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2.4.2 The considerable increase in the actual expenditures in respect of all the generating stations are stated to be due to improved generation achieved compared to previous year, increase in detention charges included in the cost under this head due to increased volume of coal supply during the year, payment towards high evacuation cost because of deterioration of coal quality. WBPDCCL has also pointed out several reasons viz. space constraints for improvement in unloading facility at Kolaghat, very old wagon trippers at Bandel, non sequential supply of coal from different locations, increase in supply of inferior quality of coal, etc.

2.4.3 The Commission carefully considered these aspects. The Commission also considered the actual generation with respect to target generation and decides to view the amount claimed with reference to the target set for generation and actual generation. The quantum of actual generation achieved during 2011 – 2012 at the stated generating stations of WBPDCCL is compared with the target generation based on normative PLF specified in the Tariff Regulations to arrive at proportionate expenses allowable.

Rs. in Lakh

Generating Station	Target Generation (MU)	Exp. as per tariff order	Actual Generation (MU)	Expenses Proportionate to Actual Generation	Actual Expenses	Expenses admitted in APR for 2011 – 2012
Kolaghat	8079.82	2148.15	7560.883	2010.18	2948.62	2010.18
Bakreswar	7378.02	458.02	7725.426	479.59	1090.61	479.59
Bandel	2608.79	768.29	1862.103	548.39	854.16	548.39
Santaldih	2640.66	108.97	2581.596	106.53	410.12	106.53
Sagardighi	4216.48	157.87	4078.030	152.63	434.85	152.63
Total	24923.77	3641.30	23808.038	3297.32	5738.36	3297.32

2.4.4 As observed from above table, the actual quantum of generation considerably fell short of the target generation set for all the generating stations, except



- Bakreswar generating station, whereas, actual expenses under the head in all the generating stations exceeded the amounts as allowed in the tariff order. WBPDCCL tried to justify in their petition such excess expenditure towards exorbitant amounts paid as ash evacuation cost due to poor quality of coal with high ash content received from the supplier as well as railway staff cost posted at generating stations and other railway movement related charges, etc. However, they did not submit their claim separately with specific quantification as required at Form 1.12 in the Tariff Regulations and the related documents justifying their claim, in absence of which, the Commission decides to restrict the expenditures made under the head of expenses to the amounts proportionate to the actual generation irrespective of the amount of actual expenses. As regards Bakreswar generating station, since the actual generation made in excess of the target generation, the Commission decides to admit the expenses proportionate to such actual generation irrespective of the amount of actual expenses.
- 2.4.5 WBPDCCL is directed to include the expenditure on account of detention / demurrage in fuel related cost in terms of regulation 5.8.1(vi) of the Tariff Regulations from 2012-13 onwards.
- 2.5 **Operation & Maintenance Expenses:**
- 2.5.1 The operation and maintenance (O&M) expenses, viz. repairs and maintenance including cost of consumables, legal and professional charges, audit fees, administrative and general expenses are categorized as controllable items in terms of the Tariff Regulations.
- 2.5.2 In view of above, the amounts of the total provisions of operation and maintenance expenses allowed in the tariff as per norms are admitted in APR 2011 – 2012 disregarding actual expenditure on this score as in terms of the



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Tariff Regulations, the savings / excess in expenditures under the controllable heads are to be in the accounts of the generating company.

- 2.5.3 The unit – VI of Santaldih generating station has come into commercial operation with effect from 30.09.2011. Thus the (O&M) expenses for Santaldih generating station has been considered for 182 days with unit – V only and 184 days with both Units V & VI.

Rs. in Lakh

Generating station	Amount admitted in APR for 2011 – 2012
Kolaghat	13444.20
Bakreswar	8851.50
Bandel	5166.00
Santaldih	3209.24
Sagardighi	3618.00
Total	34288.94

2.6 Interest on Borrowed Capital:

- 2.6.1 The amount of interest on borrowed capital for Bakreswar, Santaldih and Sagardighi generating stations during the year 2011 – 2012, as claimed by WBPDCCL, are as under:

Rs. in Lakh

Generating Station	Amount at actual
Bakreswar	15867.53
Santaldih	13876.19
Sagardighi	15073.62
Total	44817.34

- 2.6.2 There was no capital borrowing for Kolaghat and Bandel generating station. WBPDCCL submitted the computations in prescribed proforma for the amounts of interest actually paid for Bakreswar, Santaldih and Sagardighi generating



- stations and the same has been charged in the Profit & Loss Account for the year 2011 - 2012. The Commission found the same in order.
- 2.6.3 The amount of interest on borrowed capital for Bakreswar (Units I to V), i.e., Rs. 15867.53 lakh, is inclusive of an amount of Rs. 909.15 lakh pertaining to the construction of associated transmission system. As the transmission system is being operated by West Bengal State Electricity Transmission Company Limited (in short "WBSETCL"), the said amounts are required to be recovered from WBSETCL by WBPDCCL, vide order dated 01 December, 2012 of the Commission in Case No. TP-54/12-13. The amount thus stands recoverable from WBSETCL.
- 2.6.4 WBPDCCL in their supplementary application has submitted the documentary evidence in support of handing over of two line bays at Bishnupur end of Santaldih Thermal Power Station – Bishnupur 220 kV Double Circuit line to WBSETCL on 11.10.2010 and stated that the remaining portion of the transmission system will be handed over to WBSETCL as soon as the same will be ready. It is also stated that the power generated by units V & VI at Santaldih generating station are being evacuated through the existing system of units I to IV. WBPDCCL has not shown any interest against transmission system in Form – C to Annexure – I in their APR application.
- 2.6.5 Regarding Sagardighi transmission system, WBPDCCL has stated in their supplementary application that the Sagardighi – Gokarna 220 kV Double Circuit transmission line assets, a part of the transmission systems, has already been handed over to WBSETCL on 02.06.2009. They have also submitted the documentary evidence in this regard. The other part i.e., Farakka – Subhasgram 400 kV Single Circuit line LILO at Sagardighi and Sagardighi – Parulia 400 kV Double Circuit line are however retained by WBPDCCL as WBSETCL has communicated their inability to maintain that 400 kV system. WBPDCCL has



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entered into an agreement with PGCIL on 18.02.2013 for operation and maintenance of those lines and associated bays at Parulia for the period from 28.04.2011 to 31.03.2014. WBPDCCL has not claimed any amount on this score in their application and has stated that the amount to be paid to PGCIL as per agreement dated 18.02.2013 will be claimed separately in future after obtaining approval from the Commission.

- 2.6.6 The Commission, thus, decides to allow the actual interest towards borrowed capital for the respective generating stations in the APR for 2011 – 2012 as below:

Rs. in Lakh

Sl. No.	Generating Station	Amount admitted in APR for 2011 – 12
1	Bakreswar	15867.53
2	Santaldih	13876.19
3	Sagardighi	15073.62
	Total	44817.34

2.7 Interest on Working Capital:

- 2.7.1 The Commission allowed in its tariff order for the year 2011 – 2012 the amounts towards interest on working capital for the generating stations of WBPDCCL as per regulation 5.6.5.1 of the Tariff Regulations. In actual, WBPDCCL needed to take working capital loans from the nationalized banks on payment of interest. The weighted average rate of interest is 11.91% per annum. This rate is higher than the Prime Lending Rate (PLR) of the State Bank of India as on 1 April, 2010 (11.75%). Now, in terms of regulation 5.6.5.1 of the Tariff Regulations, the Commission proceeds to determine the normative amount of interest on working capital as under:



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Rs. in Lakh

Particulars	Kolaghat	Bakreswar	Bandel	Santaldih	Sagardighi
Annual Fixed Charges for 2011-12 (excluding working capital)	44303.71	70294.13	11142.08	36857.86	48300.54
Fuel Cost for 2011 - 2012	149213.08	142313.49	40962.15	55252.74	66070.85
Total	193516.79	212607.62	52104.23	92110.60	114371.39
Less:					
Depreciation	825.23	19073.42	149.92	8616.42	11027.89
Advance against Depreciation	0.00	0.00	0.00	80.88	445.98
Deferred Rev. Expenditure	0.00	0.00	0.00	0.00	0.00
Return on Equity	16867.00	18423.89	0.00	6152.80	10847.53
Bad Debt	0.00	0.00	0.00	0.00	0.00
Reserve for Unforeseen Expenses	0.00	0.00	0.00	0.00	0.00
Special appropriation against withheld amount	0.00	0.00	0.00	0.00	0.00
Total	17692.23	37497.31	149.92	14850.10	22321.40
Allowable fixed charges for working capital	175824.56	175110.31	51954.31	77260.50	92049.99
Allowable Working Capital (10% of above)	17582.46	17511.03	5195.43	7726.05	9205.00
Interest on Working Capital @ 11.75%	2065.94	2057.55	610.46	907.81	1081.59
Actual interest paid	3518.47	3641.19	852.88	1213.68	1871.33
Interest on Working Capital admitted	2065.94	2057.55	610.46	907.81	1081.59

2.7.2 It is seen from the above that the actual interest on working capital paid by WBPDCCL during the year is less than the normative interest on working capital and the Commission admits the actual interest paid by WBPDCCL.

2.8 Other Finance Charges:

2.8.1 As per the audited annual accounts of WBPDCCL for the year 2011 – 2012, an amount of Rs. 90.21 lakh was paid towards loan processing charges.

2.8.2 In the tariff order for the year 2011 – 2012, other finance charges were not allowed for any generating stations of WBPDCCL as there was no claim under that head by WBPDCCL. In their APR application for 2011 – 2012 WBPDCCL has claimed a total amount of Rs. 826.27 lakh on account of other finance charges



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for all the generating stations. As per their submission other finance charges includes bank charge, loan processing charges, LC commission charges, etc. Since the expenditure under this head is categorized as uncontrollable in the Tariff Regulations, WBPDCCL has prayed to allow the amount through tariff. The Commission decides to admit the total amount of Rs. 90.21 lakh towards other finance charges as found in the annual accounts for 2011 – 2012 and appropriated to Bakreswar and Santaldih generating stations according to drawal of loan for capital expenditure during the year. The admitted amount of other finance charges are as under:

Rs. in Lakh	
Generating Station	Amount admitted in APR for 2011 – 2012
Kolaghat	0.00
Bakreswar	7.90
Bandel	0.00
Santaldih	82.31
Sagardighi	0.00
Total	90.21

2.9 Depreciation:

2.9.1 The amounts of depreciation for the different generating stations as claimed by WBPDCCL are as under:

Rs. in Lakh	
Generating Station	Actual amount charged unit wise P&L A/c
Kolaghat	825.23
Bakreswar	19073.42
Bandel	149.92
Santaldih	8616.42
Sagardighi	11027.89
Total	39692.88

2.9.2 The Commission decides to go by the amounts of depreciation as charged in the books of accounts of WBPDCCL in respect of all the generating stations for the year 2011 – 2012 as shown in the unit wise audited accounts for 2011 - 2012.



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This does not, however, include the amount of depreciation charged in respect of decommissioned units (I to IV) of Santaldih generating station.

- 2.9.3 The amount of depreciation so admitted for the Bakreswar generating station includes an amount of Rs. 1966.67 lakh pertaining to the transmission system associated to that station. As that system is being operated by WBSETCL, the amount of depreciation was ordered to be recovered from that company. The depreciation admitted for Santaldih generating station includes an amount of Rs. 878.05 lakh pertaining to transmission system related to Santaldih generating station which is to be realized from WBSETCL. The depreciation admitted for Sagardighi generating station includes an amount of Rs. 1704.56 lakh pertaining to transmission system related to Sagardighi generating station. A part of the transmission system has been handed over to WBSETCL and the remaining part is lying with WBPDCCL as WBSETCL has declined to maintain that portion. The paragraph 2.6.5 may be referred to in this context. Since the depreciation related to Sagardighi-Gokarna 220 kV Double Circuit line handed over to WBSETCL, has not been given by WBPDCCL, the entire depreciation amount as charged in unit wise books of accounts for Sagardighi generating station are considered. The station wise depreciation as allowed by the Commission are as follows:

Rs. in Lakh

Sl. No.	Generating Station	Amount of Depreciation admitted in APR for 2011 – 2012
1	Kolaghat	825.23
2	Bakreswar	19073.42
3	Bandel	149.92
4	Santaldih	8616.42
5	Sagardighi	11027.89
	Total	39692.88

- 2.9.4 It has come to the notice of the Commission that WBPDCCL is charging depreciation at an average rate in respect of different kinds of assets under Bakreswar transmission system on the plea that such kinds of assets cannot be



- segregated from each other. Depreciation shall be computed in terms of regulation 5.6.2(ii) of the Tariff Regulations at the rates specified for different types of assets in Annexure – A to the Tariff Regulations. WBPDCCL is directed to calculate / charge the depreciation of the Bakreswar Transmission system at the rates specified in Tariff Regulations instead of average rate. It is also directed to submit the details of calculation etc. in this regard along with the APR application for 2012 – 2013 onwards in compliance of the above direction failing which 10% of the chargeable amount of depreciation of Bakreswar transmission system will be deducted from the total amount of depreciation.
- 2.9.5 WBPDCCL has not given the particulars of depreciation related to Sagardighi – Gokarna 220 kV Transmission line handed over to WBSETCL, WBPDCCL is directed to henceforth submit all the relevant information in this regard along with their APR application for 2012 – 2013 onwards.
- 2.10 **Advance against Depreciation:**
- 2.10.1 The Commission did not allow any amount towards advance against depreciation for the year 2011 – 2012 though WBPDCCL projected the requirement of advance against depreciation in respect of Santaldih and Sagardighi generating stations in their tariff petition. WBPDCCL was advised to come up with their proposal for advance against depreciation as per provision of the Tariff Regulations along with the statement of repayment of loan during the year and depreciation allowed for the year in their APR application for the year 2011 – 2012.
- 2.10.2 WBPDCCL in their submission of APR for 2011 – 2012 has claimed Rs. 80.88 lakh and Rs. 445.98 lakh towards Advance Against Depreciation (in short “AAD”), in respect of Santaldih and Sagardighi generating stations.
- 2.10.3 The Tariff Regulations provide for advance against depreciation to a generating company or a licensee when the amount of repayment on borrowed capital



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exceeds the amount of depreciation allowable during the year. Further, regulation provides that such advance against depreciation shall be restricted to 1/10th of the principal amount of original approved loans minus the amount of depreciation allowable under these regulations with the proviso that once the repayment of entire loan amount is completed, the original cost of fixed asset shall be reduced by the aggregate of accumulated depreciation and advance against depreciation availed by the generating company or the licensee and resulting depreciable value shall be spread over the balance useful life of the fixed asset.

2.10.4 In the table below the Commission now proceeds to determine the allowable amount of advance against depreciation in respect of Santaldih and Sagardighi generating stations of WBPDCCL during the year 2011 – 2012:

Rs. in Lakh

Sl. No.	Generating Station	Principal amount of original capital borrowing at the beginning of the year	Amount of Loan Repayment during 2011 – 2012	Admitted amount of depreciation for 2011 – 2012	Amount of Loan repayment in excess of Depreciation	1/10 th of original capital borrowing	Admitted amount of Advance against Depreciation during 2011 – 2012
1	Santaldih	152750.52	8697.30	8616.42	80.88	15275.05	80.88
2	Sagardighi	143423.39	11473.87	11027.89	445.98	14342.34	445.98
	Total				526.86		526.86

2.10.5 The Commission admits the amount of Rs. 526.86 lakh towards advance against depreciation against the aforesaid generating stations of WBPDCCL in the APR 2011 – 2012.

2.11 Special Allocation:

2.11.1 In their APR application for 2011 – 2012, WBPDCCL has claimed Rs. 5595.57 lakh under the head special allocation on account of a) reserve for unforeseen exigencies and b) rebate on sale of power as follows:



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Generating station	Amount in Rs. lakh		
	Reserve for unforeseen exigencies	Rebate on sale of power	Total
Kolaghat	418.45	858.50	1276.95
Bakreswar	1235.25	892.52	2127.77
Bandel	56.00	228.81	284.81
Santaldih	390.48	338.57	729.05
Sagardighi	708.29	468.70	1176.99
Total	2808.47	2787.10	5595.57

2.11.2 The claim of WBPDCCL under two heads a) reserve for unforeseen exigencies and b) rebate on sale of power are analyzed as follows:

2.11.3 Reserve for Unforeseen Exigencies:

2.11.3.1 In terms of regulation 5.11.1 of the Tariff Regulations, an appropriation towards Reserve for Unforeseen Exigencies is allowable @ 0.25% of the gross value of fixed assets at the beginning of the year. However, the Commission did not allow any amount on account of reserve for unforeseen exigencies in the tariff order for the year 2011 – 2012 to avoid future hike in tariff which will ultimately affect the tariff of the licensee. Thus no amount on account of reserve for unforeseen exigencies has been allowed in the APR for 2011 – 2012 also.

2.11.4 Rebate on sale of power:

2.11.4.1 In their application WBPDCCL has stated that for prompt payment against monthly energy bills for the year 2011 – 2012 of different generating stations, a total rebate amounting to Rs. 2789.10 lakh was deducted by WBSEDCL. WBSEDCL have claimed the amount of Rs. 2789.10 lakh under sub-head special allocation as per provisions of the Tariff Regulations. It is seen from note 28 to the annual report and accounts 2011 – 2012 that a total amount of Rs. 2787.10 lakh has



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been provided in the annual accounts. The Commission, thus, admits the amount of Rs. 2787.10 lakh under the sub-head rebate on sale of power in the APR for 2011 – 2012 for different generating stations of WBPDCCL as follows:

Generating station	Amount admitted in APR 2010 – 2011 (Rs. in lakh)
Kolaghat	858.50
Bakreswar	892.52
Bandel	228.81
Santaldih	338.57
Sagardighi	468.70
Total	2787.10

2.12 Return on Equity Base:

2.12.1 The returns on Equity for different operating generating stations of WBPDCCL, as were considered in the tariff order for the year 2011 – 2012 and as now being claimed by them are as under:

Rs. in Lakh

Sl. No.	Generating Station	As per Tariff Order	As claimed
1	Kolaghat	23546.46	18871.02
2	Bakreswar	25262.30	21777.88
3	Bandel	1745.52	1408.71
4	Santaldih	10591.85	13885.14
5	Sagardighi	14357.09	14086.40
	Total	75503.22	70029.15

2.12.2 Paid-up Equity Shares:

The paid-up equity shares in respect of different generating stations at the beginning of 2011 – 2012 as per unit wise audited accounts are as follows:



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Rs. in Lakh

Sl. No.	Generating Station	Amount
1	Kolaghat	87329.40
2	Bakreswar	139910.14
3	Bandel	5665.00
4	Santaldih (Unit V)	80728.01
5	Sagardighi	82500.00
	Total	396132.55

The paid-up equity as shown above in respect of Santaldih generating station includes the equity capital of decommissioned units I to IV and equity capital for units V and VI. The unit VI of Santaldih generating station was under commercial operation with effect from 30.09.2011. Thus, the equity contribution relating to Unit VI will not be considered at the beginning of the year. The equity shares related to Unit V was Rs. 42900.00 lakh. The equity participation in respect of Unit VI is Rs. 30000.00 lakh. Thus, the actual paid up equity at the beginning of the year for Santaldih generating station has been considered as Rs. 42900.00 lakh for Unit V only. The equity addition of Rs. 30000.00 lakh for Unit VI has been considered as addition during the year.

2.12.3 **Reserves and Surplus:**

2.12.3.1 WBPDC was having a net balance of Rs. 65383.40 lakh at the beginning of the year 2011 – 2012 as free reserve as per unit wise audited accounts including Rs. 32328.42 lakh towards negative surplus of de-commissioned Santaldih Units I to IV which are not dealt in the present APR. The net balance thus arrives at Rs. 97711.82 lakh (Rs. 65384.40 lakh + Rs. 32328.42 lakh) at the beginning of 2011 – 2012. The above amount of Rs. 97711.82 lakh includes Rs. 37370.26 lakh as negative surplus of Bandel, Santaldih and Sagardighi generating station. Since present APR is the determination of fixed charges, the above amount of Rs. 37370.26 lakh is adjusted with the positive balance of Rs. 99784.10 lakh and Rs.



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35297.98 lakh in respect of Kolaghat and Bakreswar generating stations respectively as on 01.04.2011. Now after adjustment of the negative balances of Bandel, Santaldih and Sagardighi generating stations for Rs. 37370.26 lakh made by allocating the same in the ratio of positive balances available against other generating stations, the position of free reserve at the beginning of 2011 – 2012 have been determined as below:

Rs. in Lakh

Particulars	Generating Station					Total
	Kolaghat	Bakreswar	Bandel	Santaldih	Sagardighi	
Free Reserve as on 01.04.2011	99784.10	35297.98	(-)1310.94	(-)14224.52	(-)21834.80	97711.82
Free Reserve as on 01.04.2011 after absorbing the negative balance of Bandel, Santaldih and Sagardighi generating stations	72178.97	25532.85	-	-	-	97711.82

2.12.4 WBPDCCL in their supplementary application has made submission on the treatment of free reserve for computation of equity base. It appears from the submission of WBPDCCL that in any circumstances, adjustment of positive / negative balance of profit or loss amongst the generating stations for the purpose of computation of equity base cannot reduce the paid-up equity. WBPDCCL has also submitted a computation of total equity base of WBPDCCL for the financial year 2009 – 2010, 2010 – 2011 and 2011 – 2012 for the purpose of return on equity. WBPDCCL may come up with their computation for station wise equity base along with the APR for 2012 – 2013. The Commission will decide on the issue on receipt of the computations for station wise equity base.



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2.12.5 In view of what has been explained in the foregoing paragraphs, the admitted return on equity for the year 2011 – 2012 is thus arrived, following the methodology specified in Form 1.20(a) of Annexure 1 of the Tariff Regulations and are shown hereunder. The Commission decides to admit the same in APR for 2011 – 2012:

Rs. in Lakh

Sl No	Particulars	Generating Station					Total
		Kolaghat	Bakreswar (I - V)	Bandel	Santalদিহ		
					Unit (V)	Unit (VI)	
	Actual Equity Base (Opening)						
1	(a) Share Capital	87329.40	139910.14	5665.00	42900.00	0.00	358304.54
	(b) Free Reserve**	72178.97	25532.85	0.00	0.00	0.00	97711.82
	(c) Actual equity base at the beginning of the year [(a)+(b)]	159508.37	165442.99	5665.00	42900.00	0.0	493844.36
2	Admissible equity base at the beginning of the year	108592.75	118275.14	0.00	23950.48	0.00	320625.33
	(a) Actual addition to equity base during the year (share capital) as explained in paragraph 2.12.2	0.00	0.00	0.00	0.00	30000.00	30000.00
3	(b) Actual addition to equity base during the year (Free Reserve)	5379.07	22211.85	(-)8050.99	1841.61	0.00	34112.81
	(c) Addition to equity base during the year (free reserve) adjusting the negative balance of Bandel	4351.96	17970.60	0.00	1489.96	0.00	34112.81
	Total [(a) + (c)]	4351.96	17970.60	0.00	1489.96	30000.00	64112.81
	Actual Equity Base (Closing) (1+3)						
4	(a) Share Capital	87329.40	139910.14	5665.00	42900.00	30000.00	388304.54
	(b) Free Reserve	76530.93	43503.45	0.00	1489.96	0.00	131824.63
	Actual equity base at the end of the year [(a)+(b)]	163860.33	183413.59	5665.00	44389.96	30000.00	520129.17
5	Net Addition to the original cost of fixed assets during the year	1510.88	3924.24	532.78	6251.39	104943.25	118343.40
6	Normative addition to equity base (30% of 5)	453.26	1177.27	159.83	1875.42	31482.97	35503.01
7	Addition to equity base considered for the year (lower of 3 and 6)	453.26	1177.27	0.00	1489.96	30000.00	33474.75
8	Admissible Equity Base at the end of the year [(2) + (7)]	109046.01	119452.41	0.00	25440.44	30000.00	354100.08
9	Average equity base for allowing returns [(2)+(8)/2]	108819.38	118863.78	0.00	24695.46	15000.00	337362.71
12	Return on Equity in %	15.50%	15.50%	15.50%	15.50%	15.50%	-
13	Return on Equity admitted in APR for 2011 – 2012	16867.00	18423.89	0.00	3827.80	2325.00	52291.22

**Refer table under paragraph 2.12.3.1 above



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2.12.6 The return on equity as admitted by the Commission for the different generating stations of WBPDCCL in the APR for 2011 – 2012 is as follows:

Sl. No.	Generating Station	Admitted amount (Rs. in lakh)
1	Kolaghat	16867.00
2	Bakreswar	18423.89
3	Bandel	0.00
4	Santaldih (Unit V)	6152.80
5	Sagardighi	10847.53
	Total	52291.22

2.12.7 The amount of return for Bakreswar and Santaldih generating stations, as computed above includes Rs. 928.65 lakh and Rs. 141.36 lakh respectively for each year pertaining to Transmission system. This amount will not form part of the fixed charges for Bakreswar and Santaldih Power Stations and will separately be recoverable from WBSETCL.

2.13 Taxes payable under Income Tax Act:

2.13.1 It is evident from the audited accounts that the incidence of income tax of WBPDCCL for the year 2011 – 2012 was for Rs. 9512.15 lakh.

2.13.2 WBPDCCL incurred losses in the books of accounts of Bandel only and as such, taxes payable towards profits and incomes were arrived at after considering of the amounts of losses in the aforesaid generating stations. The station-wise break-ups of the amount of Rs. 9512.15 lakh in this regard are as under:

Rs. in Lakh

Generating Station	Incidence of Tax for 2010-11
Kolaghat	1250.41
Bakreswar	4968.73
Bandel	0.00
Santaldih	479.76
Sagardighi	2813.25
Total	9512.15



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2.13.3 In the tariff order for 2011 – 2012 and 2012 – 2013 WBPDCCL was directed to submit a comprehensive statement incorporating the amounts of (i) income tax provided in the annual reports and accounts, (ii) income tax assessed, (iii) income tax paid and (iv) income tax refunded, if any, supported by documentary evidences vide assessment orders. Copies of challans, copies of refund orders year wise from the year 2007 – 2008 till date with their APR application for the years 2011 – 2012, 2012 – 2013 and 2013 – 2014. In this respect, the provisions in the regulations 5.13.1 and 5.13.2 of the Tariff Regulations were also referred.

2.13.4 WBPDCCL has submitted the required documents along with their supplementary application. On examination of the documents the followings are observed:

Financial Year	Assessment Year	Tax provided in the Annual Accounts	Tax allowed in the APR Order	Tax Assessed	Tax paid	Tax refunded / Tax due
2007 – 2008	2008 – 2009	2471.20	2471.19	2516.39	2449.57	66.82
2008 – 2009	2009 – 2010	1543.53	1543.53	1619.18	2219.58	(-) 600.40
2009 – 2010	2010 – 2011	478.15	478.17	479.59	871.59	(-) 392.00
Total		4492.88	4492.89	4615.16	5540.74	(-) 925.58
2010 – 2011	2011 – 2012	1940.60	1940.60	Not yet assessed	2722.16	-
2011 – 2012	2012 – 2013	9512.15	0.00	- do -	10068.40	

2.13.5 Thus it is observed from the above that upto the financial year 2009 – 2010 (assessment year 2010 – 2011) the Commission allowed Rs. 4492.89 lakh in the APR order for the concerned years against the total assessed tax of Rs. 4615.16 lakh. So, WBPDCCL is required to reimburse the differential amounts upto 2009 – 2010 (financial year) for Rs. 122.27 lakh. In the annual accounts for 2011 – 2012, WBPDCCL has booked Rs. 9512.15 lakh though the actual tax paid during the year was Rs. 10068.40 lakh. The Commission considers to allow Rs. 9512.15 lakh on account of Income Tax as provided in the annual accounts for 2011 – 2012. The Commission also admits Rs. 122.27 lakh being the differential amounts upto 2009 – 2010 and allocated the same to different generation



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station. Total income tax thus allowed to WBPDCCL in the APR for 2011 – 2012 comes to Rs. 9634.42 lakh. Generating station wise allocation are as follows.

Generating Station	Income Tax for 2011-12	Differential amount upto 2009-10	Total Income Tax allowed in APR for 2011-12
Kolaghat	1250.41	16.07	1266.48
Bakreswar	4968.73	63.87	5032.60
Bandel	0.00	0.00	0.00
Santaldih	479.76	6.17	485.93
Sagardighi	2813.25	36.16	2849.41
Total	9512.15	122.27	9634.42

2.14 Performance Incentives:

2.14.1 WBPDCCL has claimed Rs. 361.80 lakh as performance incentive on account of additional generation in Bakreswar generating station in their APR application for 2011 – 2012. In schedule – 10 to the Tariff Regulations, it is specifically mentioned that from the third control period, performance incentive for generation higher than the annual norms will not be applicable for any ABT compliant generating station of any generation company. Thus, the Commission do not consider the performance incentive claimed by WBPDCCL in the APR for 2011 – 2012.

2.15 Interest Credit:

2.15.1 In terms of regulation 5.5.3 of the Tariff Regulations, the actual amount of loan repayment during 2011 – 2012 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 Bakreswar generating station. An amount of Rs. 736.23 lakh, as computed hereunder, in



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respect of Bakreswar generating station of WBPDCCL is deductible from the gross amount of fixed charges:

Sl. No.	Particulars	Amount (Rs. in Lakh)
		As admitted in APR 2011-12
1	Amount of Depreciation	19073.42
2	Loan repayment	2443.02
3	Excess of depreciation over loan repayment (1 – 2)	16630.40
4	Weighted average rate of interest	4.48%
5	Interest credit	745.04

2.16 Income from Other Sources / Non-Tariff Income:

2.16.1 In terms of regulation 5.20 of the Tariff Regulations and as per Schedule – 10 of the unit wise audited accounts, income generated by WBPDCCL from the sources other than sale of electricity during the year 2011 – 2012 were as under:

Rs. in Lakh

Particulars	Generating Station					Total
	Kolaghat	Bakreswar	Bandel	Santaldih	Sagardighi	
Sale of scrap	452.29	186.64	200.34	38.72	-	877.99
Income from Investments	1633.63	1690.62	396.00	563.51	868.86	5152.62
Other General Receipts	1002.40	296.99	106.61	123.10	203.74	1732.84
Total	3088.32	2174.25	702.95	725.33	1072.60	7763.45

2.16.2 WBPDCCL in the Form 1.26 to Annexure I in their APR application for 2011 – 2012 for each generating station has excluded the interest income from short term deposit and interest on bond. In their submission under the head 'other income', WBPDCCL has stated that the amount of Rs. 5152.62 lakh towards interest income on term deposits and long term bonds made out of investment required for compliance of Accounting Standard AS-15 on 'employees benefit'. However, it is found from the audited annual report and accounts 2011 – 2012



that an amount of Rs. 1108.91 lakh has accrued towards interest income of fixed deposits relating to reserve for unforeseen exigencies. It is also observed from the audited annual report and accounts 2011 – 2012 that interest income from term deposits and dividend from bonds is Rs. 4043.71 lakh (Rs. 3858.97 lakh + Rs. 184.74 lakh) which is related to the investment in compliance of AS-15 of employees benefit and thus not to be considered as a pass through item under income from investment. Thus, the total interest income of Rs. 5152.62 lakh (Rs. 1108.91 lakh + Rs. 4043.71 lakh) are related to interest in fixed deposit for reserve for unforeseen exigencies fund and against the fund created in compliance of AS – 15 of employees benefit. The Commission, thus, ignores the income of Rs. 5152.62 lakh from investment as per unit wise annual accounts.

2.16.3 It is observed from Notes on Accounts of the unit wise audited annual accounts for 2011 – 2012 of WBPDCCL that the miscellaneous income includes rent on BOBR wagon leased to Eastern Railway amounting to Rs. 29.60 lakh. In this context, vide paragraph 5.17 of the Commission's order dated 01.12.2012 in case no TP-54/12-13, it was directed to show the income derived from leasing of wagons and simulation package as well as from hydrogen gas plants separately, since the carrying cost of those elements have been allowed in the fixed charge of Bakreswar Unit. In this regard, WBPDCCL has submitted in their supplementary APR application that the other general receipts of Rs. 296.99 lakh arising from the ancillary or incidental to the business of electricity at Bakreswar includes Rs. 29.60 lakh and Rs. 54.39 lakh on account of income from leasing and income from simulation training programme respectively. WBPDCCL has also stated that there was no income from hydrogen plant of Bakreswar generating station.

2.16.4 Total amount of such receipts as shown in the following table is required to be adjusted from the gross amount of fixed charges allowable and the Commission admits the same.



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Rs. in Lakh

Admitted in APR for the year	Generating Station					Total
	Kolaghat	Bakreswar	Bandel	Santaldih	Sagardighi	
Sale of scrap	452.29	186.64	200.34	38.72	-	877.99
Other General Receipts	1002.41	296.99	106.61	123.10	203.74	1732.85
Total	1454.70	483.63	306.95	161.82	203.74	2610.84

2.17 Insurance Premium:

2.17.1 The expenditures towards taking appropriate insurance coverage have been categorized as uncontrollable. The actual expenditures on this account as per schedule 11 to the audited accounts of WBPDCCL for the year 2011 – 2012 totaling to Rs. 269.65 lakh has been admitted by the Commission. The generating station wise allocation of the admitted amount is given below:

Rs. in Lakh

Generating station	Amount as admitted for 2011 – 2012
Kolaghat	47.28
Bakreswar	107.22
Bandel	5.71
Santaldih	52.85
Sagardighi	56.57
Total	269.65

2.18 Rent, Rates and Taxes:

2.18.1 In terms of Tariff Regulations, rates and taxes are recognized as separate items and categorized the same as uncontrollable. It is seen from the note 28 to the annual report and accounts 2011 – 2012 that the actual expenditure under the head was Rs. 97.14 lakh. Thus, the Commission admits the total amount of Rs. 97.14 lakh under this head in the APR for 2011 – 2012. Allocation of the expenditure for different generating stations as per unit wise accounts are as under:



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Rs. in Lakh

Generating station	Amount admitted in APR for 2011 - 2012
Kolaghat	7.36
Bakreswar	12.41
Bandel	38.85
Santaldih	38.52
Sagardighi	0.00
Total	97.14

2.19 Release of Regulatory Asset:

2.19.1 No amount has been kept as regulatory asset in respect of WBPDCCL in the earlier tariff orders of APR orders.

2.20 Cost of Outsourcing:

2.20.1 WBPDCCL in their APR application has claimed Rs. 3155.35 lakh being the expenditure incurred on account of outsourced services under the following heads:

- a) Security services,
- b) Office transportation,
- c) R & M expenses – others,
- d) Management services – Consultancy services.

2.20.2 All these expenses are related to operation and maintenance expenses which includes administrative and general expenses and repair and maintenance. WBPDCCL has stated in their APR application that none of these activities are new one and these activities are being continued since long. WBPDCCL has also stated that those expenditures are for generating station. Since the operation and maintenance expenses are controllable item and are allowed for each generating



station on normative basis, the Commission does not allow any expenses under the head cost of outsourcing as claimed by WBPDCCL.

2.21 Cost of Capital recoverable from West Bengal State Electricity Transmission Company Limited (WBSETCL):

2.21.1 The transmission systems constructed by WBPDCCL for Bakreswar and Santaldih is an integral part of the transmission system being operated by WBSETCL. This annual carrying charges of the assets are found as under:

Sl. No.	Particulars	Amount in Rs. in Lakh	
		Bakreswar	Santaldih
(i)	Interest on loan from Govt. of West Bengal (refer paragraph 2.6.3)	909.15	-
(ii)	Depreciation (refer paragraph 2.9.3)	1966.67	878.05
(ii)	Return on equity (refer paragraph 2.12.7)	928.65	141.36
	Total:	3804.47	1019.41

2.21.2 Rs. 3804.47 lakh and Rs. 1019.41 lakh comprising interest, depreciation and return on equity relating to Bakreswar transmission system and Santaldih transmission system, considered under the respective cost heads of Bakreswar and Santaldih generating stations respectively are deducted from the ARR of Bakreswar and Santaldih generating stations as the same amount stands recoverable from WBSETCL.

2.21.3 In the tariff order for 2011 – 2012 WBPDCCL was allowed to recover the cost of Bakreswar transmission system from WBSETCL. Any difference in realization of cost of Bakreswar transmission system and the amount admitted in this APR order for 2011 – 2012 shall be recoverable from WBSETCL by WBPDCCL. Necessary direction in this regard will be given in the tariff order for 2013 - 2014.

2.21.4 The fixed cost relating to Santaldih transmission system shall be recoverable by WBPDCCL from WBSETCL. Necessary direction regarding the mode of recovery of transmission charges will be given in the tariff order for 2013 – 2014.



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2.22 Based on the foregoing analyses, the amounts of fixed charges allowable under different heads in respect of the concerned generating stations have been shown in Annexure “2A” to “2E”. As shown in the referred annexure, the total amounts of fixed charges for the concerned generating stations come as under:

Rs. in Lakh	
Generating Station	As admitted in APR for 2011 – 2012
Kolaghat	46369.65
Bakreswar	72351.68
Bandel	11752.54
Santaldih	37765.67
Sagardighi	49382.13
Total	217621.67

2.23 The amounts of total fixed charge in APR for 2011 – 2012 for different generating stations as mentioned in para 2.22 above require to be adjusted with the amounts determined on APR in regard to fixed charges for the year 2009 – 2010 for arriving at the amounts of capacity charges recoverable through tariff. Such adjustable amounts, vide paragraph 4.1 of Commission’s order dated 21 November, 2011 in Case No. APR-23/10-11, are as under:

Rs. in Lakh	
Kolaghat	8888.07
Bakreswar	1220.94
Bandel	1829.28
Santaldih	2516.36
Total	14454.65

2.24 The amount of re-determined fixed charges for different generating stations in APR for the year 2011 – 2012, after carrying out the adjustments in regard to fixed charges for 2008 – 2009 come as under:



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Rs. in Lakh

Admitted in APR for the year	Generating Station				
	Kolaghat	Bakreswar	Bandel	Santaldih	Sagardighi
Fixed cost of 2011 – 2012 allowed to recover through capacity charges	46369.65	72351.68	11752.54	37765.67	49382.13
Adjustment of fixed charges relating to 2008 – 2009	8888.07	1220.94	1829.28	2516.36	0.00
Re-determined capacity charges	55257.72	73572.62	13581.82	40282.03	49382.13

The above capacity charge is, however, recoverable at the level of Plant Availability Factor (PAF) achieved by the respective generating stations indicated in paragraph 2.25

2.25 As it comes out from the submission of WBPDCCL and also from the statement received from SLDC, the actual PAF achieved during 2011 – 2012 at different generating stations were below in comparison to norms set for the year, except for the Bakreswar generating station, as shown below, resulting in under recovery of capacity charges.

Sl. No.	Generating Station	Normative PAF (%)	PAF achieved (%)
1	Kolaghat	78	69.33
2	Bakreswar	Units I to III	85
		Units IV to V	85
3	Bandel	71	46.94
4	Santaldih	85	79.95
5	Sagardighi	85	75.98

2.26 The redetermined capacity charges of each generating station are now required to be adjusted as per PAF achieved during the year 2011 – 2012 following the provisions of the Tariff Regulations. The computations in this regard are given below:



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Sl. No.	Particulars	Generating Stations					
		Kolaghat (10 years or more)	Bakreswar		Bandel (10 years or more)	Santalalih (less than 10 years)	Sagardighi (less than 10 years)
			Stage-I (Units I-III) (10 years or more)	Stage-II (Units IV-V) (less than 10 years)			
1	Target PAF (%)	78	85	85	71	85	85
2	PAF achieved (%)	69.33	85.43	85.31	46.94	79.95	75.98
3	Re-determined capacity charge (Rs. lakh)	55257.72	44143.57	29429.05	13581.82	40282.03	49382.13
4	Less: Coal and Ash Handling charges (Rs. lakh)	2010.18	287.75	191.84	548.39	106.53	152.63
5	Less: Water Charges (Rs. lakh)	24.11	16.64	11.09	107.71	73.10	11.23
6	Capacity charge to be considered for disallowance (6 = 3- 4-5) (Rs. lakh)	53223.43	43839.18	29226.12	12925.72	40102.40	49218.27
7	Proportionate capacity charge excluding 4 & 5 (Rs. lakh)	47307.44	44060.95	29279.41	8545.54	38911.12	46606.81
8	Capacity charge allowable (Rs. lakh) (8 = 7 + 4 + 5)	49341.73	44365.34	29482.34	9201.64	39090.75	46770.67

2.27 The allowable capacity charges for each generating station are to be adjusted against the capacity charges recovered for that generating station by WBPDCCL for the year 2011 – 2012. The computations of recovered capacity charges are to be based on the tariff order for 2011 – 2012 issued by the Commission on 01.12.2012. So for the purpose of capacity charges recovered by WBPDCCL, the Commission computed the same based on the availability achieved by different generating stations during the year 2011 – 2012 as per the statement of SLDC and the capacity charges allowed in the tariff order dated 01.12.2012 following the provisions of the Tariff Regulations. The detailed computations are given below:

Particulars	Generating Stations					
	Kolaghat (10 years or more)	Bakreswar		Bandel (10 years or more)	Santalalih (less than 10 years)	Sagardighi (less than 10 years)
		Stage-I (Units I-III) (10 years or more)	Stage-II (Units IV-V) (less than 10 years)			
Capacity charge allowed in respective Tariff Order (Rs. lakh)	59713.19	45332.99	30221.99	15666.10	44456.84	46897.43
Normative PAF (%)	78	85	85	71	85	85
PAF achieved (%)	69.33	85.43	85.31	46.94	79.95	75.98
Proportionate capacity charge recovered (Rs. lakh)	53075.84	45562.32	30277.10	10357.28	43136.21	44409.11



Order on APR of WBPDCCL for the year 2011-12

2.28 Summing up the analyses and findings as stated in the preceding paragraphs, the Commission now takes up to ascertain the amount adjustable on APR separately for each of the concerned generating stations of WBPDCCL for the year 2010 – 2011. Such adjustable amounts work out as under:

Rs. in Lakh

Particulars	Generating Stations					
	Kolaghat	Bakreswar		Bandel	Santaldih	Sagardighi
		I - III	IV - V			
Admitted capacity charges in APR for 2011 – 2012 (vide paragraph 2.26)	49341.73	44365.34	29482.34	9201.64	39090.75	46770.67
Actual capacity charge recovered during 2011 - 2012 (vide paragraph 2.27)	53075.84	45562.32	30277.10	10357.28	43136.21	44409.11
Adjustment of capacity charge for 2011 – 2012	-3734.11	-1196.98	-794.76	-1155.64	-4045.46	2361.56

2.29 The admitted capacity charges in APR for 2011 – 2012 and the actual capacity charges recovered by WBPDCCL during the year 2011 – 2012 as shown in the above table is computed on yearly weighted average PAF of each generating station. There may be a difference between values computed here on yearly PAF basis and the actual total capacity charges claimed on monthly PAF basis during the year. If there is any discrepancy, WBPDCCL shall come up with detailed computations on monthly basis duly audited with supporting documents along with their APR application for 2012 – 2013.

**ANNEXURE - 2A****KOLAGHAT THERMAL POWER STATION**

		Rs. in Lakh
SI. NO.	PARTICULARS	ADMITTED FOR APR 2011 - 2012
1	Employee Cost	10408.07
2	Water Charges	24.11
3	Coal and Ash Handling charge	2010.18
4	Cost of Outsourcing	0.00
5	Performance Incentive	0.00
6	Operation and Maintenance Expenses	13444.20
7	Insurances Premium	47.28
8	Financing Charges	0.00
9	Interest on borrowed capital	0.00
10	Interest on Working Capital	2065.94
11	Depreciation	825.23
12	Advance against Depreciation	0.00
13	Special allocation	
	a) Reserve for Unforeseen Exigencies	0.00
	b) Rebate on sale of power	858.50
14	Income Tax	1266.48
15	Return on Equity	16867.00
16	Rent, Rates and Taxes	7.36
17	Gross Aggregate Revenue Requirement	47824.35
18	Less Misc. other income	1454.70
19	Aggregate Revenue Requirement (Annual) (19 = 17 - 18)	46369.65

**ANNEXURE - 2B****BAKRESWAR THERMAL POWER STATION**

		Rs. in Lakh
SI. NO.	PARTICULARS	ADMITTED FOR APR 2011 - 2012
1	Employee Cost	6550.96
2	Water Charges	27.73
3	Coal and Ash Handling charge	479.59
4	Cost of Outsourcing	0.00
5	Performance Incentive	0.00
6	Operation and Maintenance Expenses	8851.50
7	Insurances Premium	107.22
8	Financing Charges	7.90
9	Interest on borrowed capital	15867.53
10	Interest on Working Capital	2057.55
11	Depreciation	19073.42
12	Advance against Depreciation	0.00
13	Special allocation	
	a) Reserve for Unforeseen Exigencies	0.00
	b) Rebate on sale of power	892.52
14	Income Tax	5032.60
15	Rent, Rates and Taxes	12.41
16	Return on Equity	18423.89
17	Gross Aggregate Revenue Requirement	77384.82
18	Less: Misc. other income	483.63
19	Less: Interest Credit	745.04
20	Less: Capital cost recoverable from WBSETCL	3804.47
21	Aggregate Revenue Requirement (Annual) [(21 = 17 - (18 - 19 - 20)]	72351.68

**ANNEXURE – 2C****BANDEL THERMAL POWER STATION**

		Rs. in Lakh
SI. NO.	PARTICULARS	ADMITTED FOR APR 2011 - 2012
1	Employee Cost	5203.64
2	Water Charges	107.71
3	Coal and Ash Handling Charge	548.39
4	Cost of Outsourcing	0.00
5	Performance Incentive	0.00
6	Operation and Maintenance Expenses	5166.00
7	Insurances Premium	5.71
8	Financing Charges	0.00
9	Interest on borrowed capital	0.00
10	Interest on Working Capital	610.46
11	Depreciation	149.92
12	Advance against Depreciation	0.00
13	Special allocation	
	a) Reserve for Unforeseen Exigencies	0.00
	b) Rebate on sale of power	228.81
14	Income Tax	0.00
15	Rent, Rates and Taxes	38.85
16	Return on Equity	0.00
17	Gross Aggregate Revenue Requirement	12059.49
18	Less Misc. other income	306.95
19	Aggregate Revenue Requirement (Annual) (19 = 17 - 18)	11752.54

**ANNEXURE – 2D****SANTALDIH THERMAL POWER STATION**

		Rs. in Lakh
SI. NO.	PARTICULARS	ADMITTED FOR APR 2011 - 2012
1	Employee Cost	4925.75
2	Water Charges	73.10
3	Coal and Ash Handling Charge	106.53
4	Cost of Outsourcing	0.00
5	Performance Incentive	0.00
6	Operation and Maintenance Expenses	3209.24
7	Insurances Premium	52.85
8	Financing Charges	82.31
9	Interest on borrowed capital	13876.19
10	Interest on Working Capital	907.81
11	Depreciation	8616.42
12	Advance against Depreciation	80.88
13	Special allocation	
	a) Reserve for Unforeseen Exigencies	0.00
	b) Rebate on sale of power	338.57
14	Income Tax	485.93
15	Return on Equity	6152.80
16	Rent, Rates and Taxes	38.52
17	Gross Aggregate Revenue Requirement	38946.90
18	Less Misc. other income	161.82
19	Less: Capital cost recoverable from WBSETCL	1019.41
20	Aggregate Revenue Requirement (Annual) (20 = 17 - 18 - 19)	37765.67

**ANNEXURE – 2E****SAGARDIGHI THERMAL POWER STATION**

SI. NO.	PARTICULARS	ADMITTED FOR APR 2011 - 2012
1	Employee Cost	3952.72
2	Water Charges	11.23
3	Coal and Ash Handling Charge	152.63
4	Cost of Outsourcing	0.00
5	Performance Incentive	0.00
6	Operation and Maintenance Expenses	3618.00
7	Insurances Premium	56.57
8	Financing Charges	0.00
9	Interest on borrowed capital	15073.62
10	Interest on Working Capital	1081.59
11	Depreciation	11027.89
12	Advance against Depreciation	445.98
	Special allocation	
13	a) Reserve for Unforeseen Exigencies	0.00
	b) Rebate on sale of power	468.70
14	Income Tax	2849.41
15	Return on Equity	10847.53
16	Rent, Rates and Taxes	0.00
17	Gross Aggregate Revenue Requirement	49585.87
18	Less Misc. other income	203.74
19	Aggregate Revenue Requirement (Annual) (19 = 17 - 18)	49382.13



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 4.1 Based on the foregoing analyses and admissions thereof, the positive adjustments of capacity charges in respect of the concerned generating stations of WBPDCCL for the year 2011 – 2012 as shown in paragraph 2.28 of the preceding chapter, are as below:

Generating Station	Amount (Rs. in Lakh)
Kolaghat	-3734.11
Bakreswar [Stage I (Units I to III)]	-1196.98
Bakreswar [Stage II (Units IV to V)]	-794.76
Bandel	-1155.64
Santaldih	-4045.46
Sagardighi	2361.56
Total	-8565.39

- 4.2 In terms of the Tariff Regulations, the entire amount of such positive adjustment or part thereof in respect of any of the generating stations of WBPDCCL may be adjusted with the Aggregate Revenue Requirement of that generating station of WBPDCCL for the year 2013 – 2014 or that of any other ensuing year, as may be decided upon by the Commission. The decision of the Commission in this regard will be given in the tariff order of WBPDCCL for the year 2013 – 2014.
- 4.3 WBPDCCL is to take a note of this order.

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATE: 05.09.2013