



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO.**

FPPCA-111/22-23 .

AND

APR-102/22-23

REGARDING THE APPLICATION OF INDIA POWER CORPORATION LIMITED FOR FUEL & POWER PURCHASE COST ADJUSTMENT (FPPCA) AND ANNUAL PERFORMANCE REVIEW (APR) FOR THE FINANCIAL YEAR 2018-19.

PRESENT:

**DR MALLELA VENKATESWARA RAO, CHAIRPERSON
SRI PULAK KUMAR TEWARI, MEMBER**

DATE: 02.07.2024



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CHAPTER – 1

1. PREAMBLE

- 1.1 According to Regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as subsequently amended and hereinafter referred to as the 'Tariff Regulations', it is explicitly stipulated that generating companies and licensees, as may be applicable in a given context, shall be subject to the rigorous process denominated as the Annual Performance Review, herein referred to by its abbreviated designation, 'APR.'
- 1.2 India Power Corporation Limited (hereinafter referred to as 'IPCL'), a distribution licensee under the West Bengal Electricity Regulatory Commission, submitted their application for Annual Performance Review (APR) for 2018-19 under 6th control period and Fuel and Power Purchase Cost Adjustment (FPPCA) application for 2018-2019 on 15.06.2022 in terms of provisions contained in Tariff Regulation. The FPPCA application and APR application admitted in Case No. FPPCA-111/22-23 and in Case No. APR-102/22-23 respectively by the Commission on 7.7.2022. The gist of APR and FPPCA was also submitted on 13.07.22 with petition.
- 1.3 The review of this instant application on the basis of the audited annual report and accounts of IPCL for 2018-2019 with reference to the Commission's tariff order dated 9.7.21 in Case No. TP- 78/18-19 will result into adjustment in different heads. The net adjustment arising out of such adjustment in different heads will be considered for giving effect to while determining the amount of revenue recoverable through tariff order of further ensuing years or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.4 The APR covers the areas of permissible annual fixed charges determination to the applicant, permissible incentives and the effect of gain sharing as per Schedule-9B and Schedule 10 to the Tariff Regulations respectively. In the APR for the year 2018-2019, therefore, the review of different elements of fixed charges, categorized as controllable and uncontrollable have been done to find out the



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amounts admissible against each head of element vis-a-vis the amount allowed under tariff order for 2018-19.

- 1.5 The FPPCA (FPPCA-111/22-23) and APR application (APR-102/22-23) are admitted by commission on 23.6.2022 and 21.6.2022 respectively. On admission of the APR application, IPCL was directed to publish the gist of the APR application 2017–2018 vide letter dated 30.05.2022. Accordingly, the gist was published in four newspapers inviting suggestions/objections from the stakeholders if any, vide table 1.5-1. The approved gist and the APR Petition for 2018-19 were also published on the website of IPCL. Opportunities were given to all to inspect the application and take copies thereof. No Suggestion/Objection has been received from any of the stake holder within the stipulated period of 21 days from the date of publication of the Gist on 13.07.2022.

Table 1.5

Sl. No.	Date of Publication	Newspapers	Last date for submission of suggestions / objections as per notification
1	13.07.2022	Anandabazar Patrika	21 days from date of publication (inclusive of date of publication)
2	13.07.2022	Aajkal	
3	13.07.2022	The Telegraph	
4	13.07.2022	Prabhat Khabar	

- 1.6 The Commission duly acknowledges the representations put forward by IPCL. Furthermore, it is observed by the Commission that no dissenting objections or constructive recommendations have been tendered by the general public/stakeholders with regard to the Petition submitted by IPCL. The instant case of IPCL is being viewed in the subsequent parts of this order.
- 1.7 The commission asked clarification for processing APR and FPPCA vide letter No. WBERC/APR-102/22-23/4753 Dated 01.02.2024. IPCL submitted the requisite additional documents clarification under affidavit vide Letter No. RA/II/002/23-24/200 Dated 19.2.2024.



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- 1.8 IPCL has submitted some clarification under affidavit on 22.4.2024 regarding following points.
- 1.8.1 How they handled the coal quality issues in procurement of washery rejects/ tailing form Tata Steel Limited.
- 1.8.2 Weather the provision for bad debt actually written off
- 1.8.3 The details of items included in "liabilities no longer required written back".



CHAPTER – 2

COMPUTATIONS OF THE ALLOWABLE FUEL AND POWER PURCHASE COST

- 2.1 IPCL has made certain prayers and submissions through the APR petition and FPPCA for 2018-2019 and the accompanying forms. It has also submitted audited accounts, auditors' certificates, supporting data, documents and compliance reports. IPCL has submitted that its net aggregate revenue requirement allowed by the Commission in Tariff Order was Rs. 45841.79 lakh. Against the same, IPCL in Paragraph 90 of their APR application has submitted total realizable sales revenue for 2018-19 as Rs. 493lakh and asked for net revenue recoverable for 2018-19 as Rs 5401.95 lakh after adjusting the sales revenue already realized in 2018-19.
- 2.2 In this part of the order, the Commission takes up the determination of fuel and power purchase cost allowable to IPCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2018-19.
- 2.3 The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2018-19, is to be admitted in terms of the following formula as specified by the Commission in schedule 7A to the Tariff Regulations.
- 2.4 The schedule – 9B to the Tariff Regulations, contains provisions for sharing the gains derived by the licensee, if any, on account of its better performances over the operating and fuel consumption norms set by the Commission for the concerned year. The operational parameters which are to be considered for such sharing the gains accrued to the licensees are:
- (i) Oil consumption rate,
 - (ii) Rate of Auxiliary Consumption,
 - (iii) Gross Station Heat Rate.
- 2.5 The referred schedule 9B to the Tariff Regulations also stipulates that in case PAF a generating station of the licensee falls below the normative PAF, the total gains



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meant to be passed on to the consumers under the items (i) to (iii) above, shall be used to compensate the deficit in the recovery of the fixed charges, if any, by the licensee.

- 2.6 Before ascertaining the amount of admissible fuel and power purchase cost as well as the amount of gains to be shared with the consumers and other licensees under the provisions of the Tariff Regulations explained in earlier paragraphs, it needs to view the actual performances of IPCL in comparison to the operational and fuel efficiency norms set by the Commission in the Tariff Order for the concerned year.
- 2.7 During 2018-19, IPCL has generated power only from the 12 MW Dishergarh power plant. Total Gross generation during the year is 28.93 MU and sent out energy is 25.02 MU. IPCL in its submission has reiterated that despite its sustained efforts to obtain coal linkage with CIL/ECL, it could not get coal linkages. Thus, to run its plant, IPCL has purchased coal from Tata Steel coal-rejects.
- 2.8 IPCL does not have coal linkage for their 12 MW plant. The Commission while giving clearance to purchase coal through order dated 14.02.2013 in case No. WBERC/OA-129/11-12 stipulated that the cost of fuel purchase will be allowed as per provision 5.8.2 of the Tariff Regulations. IPCL further through a separate petition prayed before the Commission for in-principal clearance to purchase coal through e-auction. The Commission vide order dated 11.09.2013 in Case no. WBERC/OA-163/12-13 accorded clearance to purchase coal through e-auction subject to compliance of the conditions as stipulated in regulations 5.8.1 to 5.8.7 of the Tariff Regulations.
- 2.9 IPCL in their submission of FPPCA application has stated that, the conditions contained in regulation 5.8.2 of the Tariff Regulations are fulfilled as its own generation is cheaper from the power purchase cost and hence is beneficial to the consumers. IPCL has reiterated their inability to obtain coal linkage with ECL and



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accordingly requested the Commission to allow the actual fuel cost incurred during 2018-19.

- 2.10 From the submitted coal bills it is noted that IPCL has procured coal from Tata Steel Ltd. It has been observed that no margin money was found to be involved in coal procurement process from these agencies as per the submitted affidavits. From the submitted Forms D1 and D3 it is evident that there was washery reject coal of 26305.08MT was purchased from M/s Tata Steel with price Rs 2536/MT.
- 2.11 The commission found that there is 14.62% increase in coal price per Heat rate of the coal compared to the year 2017-18. The commission asked for clarification vide letter no. WBERC/APR-102/22-23/4753 dated 1.2.2024. In the response IPCL submitted clarification under affidavit vide letter No. RA/II/002/23-24/200 dated 19.2.2024. IPCL clarified that they have procured coal washery 2PR and coal washery tailing from Tata Steel. They have bided for washery reject/tailing and price is discovered through auction, hence they have no control over price. Further IPCL didn't have coal linkage during 2018-19. IPCL has submitted purchase orders and bills along with auditor's certificate.
- 2.12 . However, as the coal is purchased through auction the weighted average price of coal as Rs 2896.13 per MT. Considering the opening coal stock and the coal purchase details submitted vide letter dated 01.09.2022 the Commission now compute the weighted average GCV and cost of coal below.



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Table 2.12

Particulars	Legend	Admitted
Stock Quantum (in MT)		
Opening Stock*	A	11551
Coal Purchase during the year	B	25500.41
Coal consumed	C	33565.77
Closing stock	D=A+B-C	3485.64
Stock price (in Rs. /MT)		
Price of opening stock*	E	2495.47
Price of coal purchased	F	2896.13
Price of coal consumed	$G = ((A * E + B * F) / (A + B))$	2771.22
Price of Closing Stock	$H = ((A * E + B * F) / (A + B))$	2771.22
UHV of Coal (in Kcal/Kg)		
Heat value of opening stock*	I	3017.7
Heat value of coal purchased	J	3054.49
Heat value of coal consumed	$K = ((A * I + B * J) / (A + B))$	3043.02
Heat value of Closing Stock	$L = ((A * I + B * J) / (A + B))$	3043.02

- 2.13 As per auditor's certificate submitted by IPCL weighted average of heat value is 2881.67 Kcal/Kg .IPCL has submitted clarification with affidavit on date 22.4.24 regarding decrease in heat value of the coal in the year 2018-19 as compared to the same purchased from Tata Steel in the year 2017-18 but could not justify the same.
- 2.14 In absence of justification regarding decrease in heat value of coal in year 2018-19 as compared to year 2017-18, the weighted average of heat value of coal purchased in the year 2017-18 from Tata steel 3054.49 Kcal/Kg is considered for the calculation of Fuel cost. The weighted average heat value and weighted average cost of coal is computed as 3043.02 Kcal/Kg and 2771.22 Rs/MT respectively for consumed coal.
- 2.15 Regulation 5.8.1 of the Tariff Regulations, consider weighted average heat value as the 'minimum GCV of the corresponding GCV band' or actual GCV' as submitted in the audited certificate, whichever is higher. However, in absence of any declared grade for 'coal rejects' and 'coal-tailings' heat value of the coal is considered as per para 2.14. The details of coal purchased as submitted by IPCL is placed in Annexure 2A.



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2.16 IPCL in its submission has stated that, since coal linkage is not yet obtained for its 12 MW plant, the actual fuel cost incurred may be allowed. IPCL also proposes to consider station heat rate at 3,400 kcal/kg and the auxiliary consumption at 13.52% Actual claim of generation, auxiliary consumption and station heat rate vis-a-vis the same allowed in tariff order are stated hereunder:

Table 2.16

Sl. No.	Particulars	Unit	As per Tariff Order	As per Actuals
1	Gross Generation	MU	84.1	28.93
2	Auxiliary Consumption	MU	8.41	3.91
3	Rate of Auxiliary Consumption	%	10.00%	13.52%
4	Sent Out Energy	MU	75.7	25.02
5	Station Heat Rate	kCal/kWh	3300	3400

2.17 With the above computation, the actual SHR and auxiliary consumption are higher than the norms considered in the tariff order for the year 2018 - 2019 and therefore IPCL is not entitled for any gain sharing as there is no improvement in Station Heat Rate and Auxiliary consumption rate.

2.18 The norm for distribution loss of IPCL for the year 2018-19 was considered 5.25% in the tariff order based on actual value subject to condition that gain sharing issue will be dealt with in the APR order. Accordingly, 5.25% will be considered as normative distribution loss while gain sharing will be calculated. As per the data submitted by IPCL in the instant application, the actual quanta of distribution loss experienced by it works out as under:

Table 2.18

Sl. No.	Particulars	Figures in MU
A. Inputs to System		
(a)	Net Sent Out Energy	25.02
(b)	Energy purchased during the year	761.50
(c)	Net UI Energy Drawn	31.35
(d)	Delivered to the system [d = a + b+c]	817.87
B. Utilization of Power		



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Sl. No.	Particulars	Figures in MU
(e)	Sales to consumers	787.49
(f)	Own consumption	2.17
(g)	Total utilization (f=e + f)	789.66
(h)	Distribution loss [g = d – g]	28.21
(i)	Percentage of distribution loss [i = h/d x 100] %	3.45

2.19 The allowable quantum of normative distribution loss (5.25%) considering actual quantum of sales to consumers as well as the actual own consumption comes to 43.75 MU [$\{789.66 / (1-0.0525)\} - 789.61$]. The actual distribution loss is 28.21 MU. The savings in this regard comes to 15.54 MU (43.75 MU – 28.21 MU). As provided in paragraph C of Schedule – 9B to the Tariff Regulations, 2011 IPCL is entitled to retain the gains accruing to it in this regard.

2.20 The values of different factors in the FPPCA formula referred to are worked out and admitted as under:

2.21 FUEL COST BASED ON NORMATIVE:

2.21.1 Fuel cost of own generation is to be allowed as per normative parameters fixed by the Commission, or on actual basis in absence of any norms. The fuel costs to be allowed to IPCL for the year 2018 - 2019 for its power station at Dishergarh is based on the following fuel consumption norms as decided in paragraph 2.10 above:

Table 2.21

Particulars	Unit	Norms
Station Heat Rate	kCal/kWh	3300
Auxiliary Consumption	%	10
Transit Loss of Coal	%	0.30

2.21.2 The Commission now determines the admissible fuel cost based on the weighted average cost of coal and GCV considered in para 2.14 above and the norms specified above. The admissible fuel cost comes to Rs 854.69 lakh as detailed in Annexure 2C.



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2.22 PPC (POWER PURCHASE COST):

- 2.22.1 The actual quanta of power purchased by IPCL during 2018 - 2019 from Damodar Valley Corporation (DVC), West Bengal State Electricity Distribution Company Limited (WBSEDCL), West Bengal Green Energy Development Corporation Limited (WBGEDCL), Tata Power, Indian Energy Exchange (IEX) and short term through trader M/s IPCL Power Trading Pvt. Limited now known as Saranyu Power Trading Pvt Ltd from APPCPL.
- 2.22.2 The commission asked to provide details of PPA along with report for power purchase from Arunachal Pradesh Power Corporation vide letter No, WBERC/APR-102/22-23/4753 dated 1.2.24. IPCL has given the detail under affidavit vide letter no RA/II/002/23-24/200 dated 19.2.24.
- 2.22.3 As per above letter IPCL has procured power on short term basis through IPTPL now known as Saranyu Power Trading Pvt Ltd a trader who has banking arrangement with supplier Arunachal Power Corporation Pvt Ltd. IPCL has attached a copy of MoU IPTPL and APPCPL and Between IPCL and IPTPL.
- 2.22.4 As per MoU ,IPCL has purchased power through trader Saranyu Power Trading Pvt Ltd. on short term basis only.
- 2.22.5 The total energy purchased and cost incurred came to 761.495 MU and Rs. 31653.45 lakh respectively excluding UI as per the details given below:

Table 2.22

Sources	Quantum (MU)	Cost incurred (Rs. Lakh)
WBSEDCL	38.404	2170.49
DVC	132.259	5713.59
WBGEDCL	1.036	50.98
Tata Power	164.168	5828.64
OA/ IEX	157.336	6286.96
Short term Power through trader Saranyu Power trading Pvt Ltd .from APPCPL	268.292	11602.79
Total	761.495	31653.45



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2.23 ALLOWABLE FUEL AND POWER PURCHASE COST (FC+PPC):

The allowable amount of fuel and power purchase cost, computed in terms of the Schedule 7A of the Tariff Regulations works out to Rs. 854.69 lakh+Rs.31653,45 lakh= Rs. 32508.14 lakh. The detailed computations are shown in Annexure – 2C.

2.24 C_D: COST DISALLOWABLE:

Factor C_D, as referred to in the FPPCA formula mentioned in below table, stands for cost as to be found disallowable by the Commission. The referred formula also specified the method of ascertaining the amount of such cost disallowable. In case of IPCL, C_D comes to nil as the quantum of actual purchase (E_p) remained lesser than the quantum of admissible purchase (E_{Adm}). The computations in this regard are shown hereunder:

Table 2.24

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	T	Normative transmission and distribution loss considered for sale to licensee	%	5.25%
2	D	Normative distribution loss for sale to consumers	%	5.25%
3	E _g	Actual Sent Out from Own Generating Station for Consumers and licensees	MU	25.02
4	E	Excess/ (Savings) in the quanta of auxiliary energy consumption (vide note (1) below)	MU	1.13
5	E _p	Total energy purchased for distribution and supply to licensees	MU	792.85
6	E _o	Energy for own consumption	MU	2.17
7	E _{sc}	Sold to consumers	MU	787.49
8	E _{sl}	Sold to licensee	MU	0
9	E _{Adm}	Admissible purchase of energy	MU	807.26

Note 1:

Sl. No.	Particulars	Unit		Dishergarh
1	Unit Sent out	MU	A	25.02
2	Rate of Normative Auxiliary Consumption	%	B	10%
3	Normative Auxiliary Consumption based total generation	MU	C=A/(1-10%)	27.80



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Sl. No.	Particulars	Unit		Dishergarh
4	Actual Auxiliary Consumption (Ref: Para 2.16)	MU	D	3.91
5	Normative auxiliary consumption	MU	E=C-A	2.78
6	Excess Auxiliary Consumption	MU	F=D-E	1.13

Note 2:

Admissible quantum of purchase:

$$\frac{E_{SC} + E_O}{(1-d \times 0.01)} + \frac{E_{SL}}{(1-T \times 0.01)} - E - E_g$$

$$= \frac{787.49+2.17}{(1-5.25\%)} + 0 - 1.13 - 25.02 = 807.26 \text{ MU}$$

2.25 A: PRIOR PERIOD'S ADJUSTMENTS:

Factor ± A in the referred FPPCA formula signifies the adjustment, if any, to be made in the current period to account for any excess / shortfall in the recovery of fuel and power purchase cost for the past period. IPCL has not submitted any details or supporting documents against any expense incurred towards prior period adjustment. The value of this factor is, therefore, consider nil.

2.26 Computations of the aggregate allowable amount of fuel and power purchase cost:

2.26.1 The aggregate amount of fuel and power purchase cost, commensurate with the actual quantum of sale to the consumers and to the licensee (WBSEDCL), that can be allowed to IPCL works out to Rs. 32508.14 lakh with the break-up as given hereunder. The detailed computations in this regard are shown in Annexure – 2C.

Table 2.26

Sl. No.	Particulars / Factors	Rs. Lakh
1	FC: Fuel Cost	854.69
2	PPC: Power Purchase Cost	31653.45
3	C _D : Cost disallowable	0
4	±A: Prior period adjustment	0
5	Allowable fuel and purchase cost = FC + (PPC - C _D) + (± A)	32508.14



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2.27 Benefits for savings in Distribution Loss:

2.27.1 As referred in paragraph 2.19 above, IPCL is allowed to retain the gains accrued to it due to savings in the rate of distribution loss. Such savings in quantum came to 15.54 MU. The value of such savings at the average cost of power at the distribution bus works out as under:

Table 2.27

Particulars	Quantum (MU)	Cost (Rs. Lakh)
Sent out from Generation (Ref: para 2.16)	25.02	837.97
Purchase (Ref: para 2.22.5)	761.50	31653.45
Total	786.52	32491.42
Average Rate per Unit (Rs per unit)		4.13
Savings in cost	15.54	641.94
Savings shared with Consumers@ 25%	3.88	160.48
Savings for IPCL	11.65	481.45

2.27.2 Out of amount of Rs. 481.45 lakh, computed above, a total amount of Rs. 16.72 lakh (Rs 854.69 lakh -837.97 Rs. lakh) (Refer annexures 2B and 2C) has already been passed by way of adopting normative rate of distribution loss as denominator in computing admissible fuel cost for sale to Licensee and consumers. The balance amount of Rs. 464.73 lakh is now being allowed.

2.28 Summing up the findings as stated above, the net amount of fuel and power purchase cost allowed to IPCL for the year 2018-19 comes as under:

Table 2.28

Summing up the findings as stated above, the net amount of fuel and power purchase cost allowed to IPCL for the year 2018- 2019 comes as under: Particulars	Rs. Lakh
Fuel and Power Purchase Cost (as per FPPCA formula para 2.26.1)	32508.14
Additional amount on account of savings in the rate of Distribution loss net off consumer share	464.73
Re-determined Fuel and Power Purchase Cost	32972.87



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ANNEXURE – 2A

**COMPUTATION OF UHV OF COAL BASED GENERATING STATION AS PER
REGULATION 5.8.5 OF THE TARIFF REGULATION**

Tata Steel	GCV (kcal/kg)	Bill quantity (MT)	Coal Price (Rs lakh)	Railway Freight (Rs Lakh)	Transport and Handling	CST/GST and GST compensation	Total cost (Rs lakh)
	2822	3789.55	71.05	8.17	7.63	19.12	105.97
	3160	2226.1	44.52	4.59		11.36	60.47
	3160	1514.6	30.29	3.2	3.16	7.73	44.38
	3158	793.9	15.88	1.67		4.06	21.61
	3158	983.6	19.67	2.09		5.02	26.78
	3158	2144.67	47.89	4.45		10.95	63.29
	2098	266.6	5.33	0.56	4.46	1.36	11.71
	2098	1195.9	23.92	2.51		6.1	32.53
	2098	2394.3	47.89	5.01		12.22	65.12
	3955	819.87	17.63	1.65		4.24	23.52
	3134	3102.85	62.06	6.4	5.4	15.83	89.69
	2908	1524.64	32.02	3.27		7.86	43.15
	2908	1846.2	38.77	3.96	5.66	9.52	57.91
	2712	815.8	17.33	1.67	5.38	4.2	28.58
	2712	1395.9	29.31	2.92	5.51	7.19	44.93
	2712	1490.6	31.3	3.2		7.69	42.19
Total		26305.08	534.86	55.32	37.2	134.45	761.83

Weighted average of Landed price of coal purchased is Rs 2896.13 per MT.

Source	Quantity	Heat Value	Coal price	Railway freight	Transport handling cost including service Tax	CST/GST and GST compensation	Total (Rs / MT)
	MT	kCal/kg	Rs/MT				
Use from Opening stock of 2017-18	11551	3017.7					2495.47
Tata steel	25500.43	3054.49	2033.3	210.3	141.42	511.12	2896.13



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Source	Quantity	Heat Value	Coal price	Railway freight	Transport handling cost including service Tax	CST/GST and GST compensation	Total (Rs / MT)
	MT	kCal/kg	Rs/MT				
Total Consumed	33565.77						
Weighted Av		3043.02	1399.40				2771.22

Note: In absence of justification regarding decrease in heat value of coal in year 2018-19 as compared to year 2017-18, the weighted average of heat value of coal purchased in the year 2017-18 from Tata steel 3054.49 Kcal/Kg is considered for the calculation of weighted average of heat value for the year 2018-19.



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ANNEXURE – 2B
ALLOWABLE FUEL COST

Sl. NO	Particulars	Unit	12 MW	12 MW (Approved)
1	Ex - Bus generation	MU	25.02	25.02
2	Rate of Auxiliary Consumption	%	13.51%	10%
3	Auxiliary Consumption on ex-bus Generation $[(1)/(1-0.1)-(1)]$	MU	3.91	2.78
4	Admissible generation for sale $[(1) + (3)]$	MU	28.93	27.80
5	station heat rate	Kcal/kWh	3300	3300
6	Total Heat Required $[4*5]$	M.Kcal	95463.05931	91740.00
7	Heat value of Oil	Kcal/lit	0	0
8	Specific oil consumption	ml/kWh	0	0
9	Oil consumption $(4*7)$	KL	0	0
10	Heat from Oil $(8*9)/1000$	M.Kcal	0	0
11	Heat from coal $(6-10)$	M.Kcal	95463.05931	91740.00
12	Average UHV of coal	Kcal/Kg	2889	3043.02
13	Coal consumption $(11/12)*1000$	MT	33043.63	30147.68
14	Coal requirement at transit loss	MT	33142.76514	30238.12
15	Average price of Oil	Rs/KL	0	0
16	Average price of Coal	Rs/MT	2671	2771.22
17	Cost of Oil $(8*15)/100000$	Rs in Lakh	0	0
18	Cost of Coal $(14*16)/100000$	Rs in Lakh	885.24	837.97
19	Cost of Fuel $(17+18)$	Rs in Lakh	885.24	837.97
20	Cost of fuel per unit $(19/1*10)$	Paise/kWh	353.81	334.92



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ANNEXURE – 2C

STATEMENT SHOWING ADMISSIBLE FUEL AND POWER PURCHASE COST

SI NO	Factor Notation	Nomenclature	Unit	Value
1	t	Norms of Transmission and Distribution loss consider for sale of power to license and for interplane transfer	%	5.25%
2	d	Norms of Distribution loss for sale to consumer	%	5.25%
3	EO	Energy for own consumption	MU	2.91
4	ESL	Energy sale to licensee and interplant transfer [refer table in paragraph]	MU	0
5	ESC	Energy sale to consumer	MU	787.49
6	Fuel Cost	Fuel cost for generation on normative parameter (refer Annexure 2-c)	Rs. in Lakh	837.97
7	FCIUC	Per unit Fuel Cost at distribution input for sale to consumers (refer para A note below)	Paise/kWh	10.25
8	FCAdm_d	Admissible Fuel Cost for sale to WBSEDCL and inter plant transfer (refer)	Rs. in Lakh	0
9	FCAdm_c	Admissible Fuel Cost for sale to consumer and for own consumption (refer)	Rs. in Lakh	854.69
10	FC	Admissible fuel cost [8 + 9]	Rs. in Lakh	854.69
11	PPC	Power Purchase Cost including net UI charges (Para)	Rs. in Lakh	31653.45
12	FC + PPC	Admissible Fuel and Power Purchase Cost [10 + 11]	Rs. in Lakh	32508.14

Note:

A. Fuel Cost per Unit (kWh) at Distribution input		Units	Amount
(i)	Fuel Cost for sale to consumers	Rs. in Lakh	837.97
(ii)	Energy sent out from own generation for the consumer and licensee	MU	25.02
(iii)	Power Purchase	MU	761.50
(iv)	Net UI drawn	MU	31.36
(v)	Total energy available for sale [(ii) + (iii)]	MU	817.88
(vi)	$FC_{IUC} [(i)/(iv)]$	Paise/kWh	10.25

B. Admissible Fuel Cost for sale to Consumers and Licensee		Unit	Amount
(i)	$[(Esc + Eo)/(1 - d*0.01)] * FC_{IUC} = FCAdm_c$	Rs. in Lakh	854.69
(ii)	$[ESL / (1 - t * 0.01)] * FC_{IUC} = FCAdm_d$	Rs. in Lakh	0



CHAPTER – 3

FIXED COST DETERMINATION UNDER APR

- 3.1 The Tariff Regulations specifies the classification of different fixed charge elements under controllable and uncontrollable head and also the treatment of variation between projected expenditure and actual expenditure of such fixed charge elements during redetermination of ARR during APR.
- 3.2 The Commission in its order dated 09.07.2021 in the tariff application of IPCL for the years 2018-19, had followed some specific principles of calculation for determination of fixed charge during projection of ARR. The basic premises of such principles of calculation were
- (i) Wholesale Price Index (WPI) and Consumer Price Index (CPI),
 - (ii) Business volume change namely Distribution line length and number of consumers, and
 - (iii) Sensitivity of expenditure elements to business volume change.
- 3.3 IPCL in its Petition has submitted that, the annual accounts for FY 2018-19 are based on the Indian Accounting Standard (Ind AS), whereas, in the earlier years the basis considered was IGAAP. In view of the same IPCL has included certain Ind AS adjustments resulting in the inclusion of certain notional income and notional expenses as required under Ind AS due to consideration of fair value rather than transaction value.
- 3.4 Regulation 2.6.10 (v) of Tariff Regulations (Amendment) 2013 specifies that, the commission may allow certain additional expenditure through order of APR on any controllable item *which is included in the working capital base* if business volume of distribution licensee increases more than 5 % of projected business volume in terms of consumer strength or increasing distribution network asset than what was projected during application of any multiyear tariff application. Also ,Regulation 2.6.10 (ii) of Tariff Regulations specifies that the commission may allow certain



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additional expenditure through order of APR on any element of controllable item which is included in the working capital base if the rate of inflation is found to be more than 15% with respect to the price of that item at the time of determination of such element of ARR against application for determination of tariff.

3.5 Parameters and formulas for fixed charge computation:

In view of regulation 2.6.10 (v) of Amendment 2013 of Tariff Regulations, the Commission has noted the submission of IPCL for the increase in the distribution line length and consumer strength at the end of the year 2017-18 and end of the year 2018-19 as shown in the Table 3.5-1 below:

Table 3.5.1

Particulars	Unit	2017-18	Actual end of 2018-19	Increase / Decrease (-)
Distribution Line Length	CKM	941.37	986.91	45.54 (4.838%)
No of Consumers	(Number)	2373	3122	749 (31.56%)

Though above table shows that, there is growth in distribution line length and number of consumers during FY 2018-19, the Commission as per the provision of above regulation has also compared the growth projected in Tariff Order 2018-19 and actual at the end of the 2018-19 in the Table 3.5.2 below. Further, the Commission has considered the WPI and CPI for APR Order same as Tariff Order 2018--19.

Table 3.5.2

Particular	Admitted in Tariff Order	Actual 2018-19	Increase / Decrease (-)
Distribution Line length – DLL (CKM)	946	986.91	40.91
Consumer Strength – CS (Number)	2954	3122	749
DLL increase % for 2018-19 (compared MYT and actual)			4.32%
CS Increase % for 2018-19 (compared MYT and actual)			5.69%



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Particular	Admitted in Tariff Order	Actual 2018-19	Increase / Decrease (-)
WPI in %	4.26%	4.26%	0.0%
CPI in %	5.40%	5.44%	0.74%
Inflation in hybrid index [WPI: CPI (60:40)] %	4.72%	4.73%	0.34%

- 3.6 Now the Commission proceeds to review each of such fixed charge elements claimed by IPCL in line with Tariff Regulations with specific reference to regulations 2.5.5, 2.5.5.1, 2.6.10 and 2.8.9.5 and principles, terms and conditions for determination of tariff for retail sale of electricity as per Schedule-5 of the Tariff Regulations. For interest, depreciation and return on equity, principles laid down in the Tariff Order dated 09.07.2021 in Case No. TP-78/18-19 for the J.K. Nagar substation has been followed.
- 3.7 The old units of Dishergarh Power Station have been decommissioned in November 2012. The new power plant (12 MW) at Dishergarh was commissioned on 25.09.2012 and is the only plant of IPCL that generated power during 2018-19. The Commission, accordingly, considers expenses of the generating stations with reference to applicable provisions of tariff regulations. The review of each of the controllable and uncontrollable head of fixed charges with reference to the amount allowed through tariff and the actual based on the audited financial statement of IPCL related to DPSC Division, the forms submitted by IPCL as a part of their APR application and the attached Auditor's Certificates for the year ended 31st March 2019 is being taken up hereunder.
- 3.8 **Employee Cost:**
- 3.8.1 In the Tariff order for 2018-19, IPCL was allowed a total amount of Rs 3730.41 lakh towards employee cost which included Employee cost for Generation business Rs 185.15 lakh and Distribution business Rs 3545.26 lakh. As against the amount allowed in Tariff order, IPCL has claimed Rs 4831.36 lakh in their APR application. The same was reflected in the Form 1.17(h) of APR application. However, as per Note 38 of Annual Accounts, the total employee cost is Rs.4785.81 lakh. In



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Additional Submission vide Letter No. RA/II/002/23-24/175 Dated 6.11.2023 they have reconciled the Employee cost to 4785.81 by deducting Director's fee 45.55 Lakh.

3.8.2 The analysis of the employee cost is as shown below:

Table 3.8.1

Head of expense	Allowed in Tariff order (Rs in Lakh)			Claimed in APR (Rs in Lakh)		
	Generation	Distribution	Total	Generation	Distribution	Total
Employee Cost (Own)				275.95	4262.37	4538.32
Staff training expenses				0	19.91	19.91
Salary & Wages of contracted manpower				75.89	217.15	293.04
VRS Compensation				0	30.28	30.28
Director's fee & remuneration				0	45.55	45.55
	185.15	3545.26	3730.41			
Total	185.15	3545.26	3730.41	351.84	4479.52	4831.36
After deducting Director's fee				351.84	4433.97	4785.81
				Employee Numbers		
Own employee				29	522	551
Contractual manpower				13	140	153

3.8.3 IPCL has claimed Rs. 293.04 lakh towards expenses of contractual manpower engaged in various jobs under regular establishment. Out of total amount of Rs.293.04, Rs 75.89 lakh, are related to Dishergarh generating plant of IPCL and Rs.217.15 lakh is related to distribution expenses (including centrally maintained expenses). IPCL has claimed the entire amount as employee expenses.

3.8.4 The Commission observes that, in terms of regulation 5.9.1 of the Tariff Regulations, contracted manpower engaged in the regular establishment comes under the employee cost. However, for generating function, the overall manpower engaged is required to be limited within the Man/MW norms specified in Schedule-9A of the second amendment of Tariff Regulations 2013. Accordingly, the admissible cost of manpower engaged in contracted man power under establishment comes is computed as below:



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Table 3.8.3

SI No	Particulars	Man/MW ratio	Maximum permissible manpower	Own employee engaged	Contracted manpower engaged	Total manpower engaged	Contracted manpower cost (RS. Lakh)	
							Claimed	Admitted
A	Dishergarh 12 MW	3.50	42	29	13	42	75.89	75.89
B	Distribution business	-	-	522	140	662	217.15	217.15
	Total						293.04	293.04

3.8.5 IPCL has claimed Rs19.91 lakh as expenditure on account of staff training expense which is not considered under employee expense but should be included under administrative and general expenses. This expenses of Rs 19.91 lakh are to be considered under distribution head as the training is related to distribution function only. Claims arising out of VRS package furnished by IPCL have been settled fully in APR 2013-14.

3.8.6 Accordingly, the commission admits Rs 4781.17 lakh towards Employee cost in the APR for 2018-19 and allocates the same to generation and distribution function. Summary of Admittance and allocation is given in the table 3.8-3 below.

Table 3.8.3

Head of expense	Claimed (in Rs. Lakh)			Admitted (Rs Lakh)		
	Generation	Distribution	Total	Generation	Distribution	Total
Employee Cost (own)	275.95	4166.63	4442.58	275.95	4166.63	4442.58
Salaries & wages of contractual manpower	75.89	217.15	293.04	75.89	217.15	293.04
Staff training Expense	0	19.91	19.91	0	0	0
VRS Compensation	9.52	20.76	30.28	0	0	0
Directors fee & remuneration	0	45.55	45.55	0	45.55	45.55
Arrear wages	0	0	0	0	0	0
Total	361.36	4470	4831.36	351.84	4429.33	4781.17

3.9 Water Charge:

3.9.1 In the MYT order of 6th control period, the Commission admitted Rs 0.75 lakh as expenditure on water charges for the year 2018-19. The Commission decided in the



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MYT order of 6th control period to consider admission of the water charges after prorating the same with normative generation for respective ensuing years and considering escalation following WPI Inflation for respective years 2018-19 and 2019-20.

- 3.9.2 IPCL, in their APR application, has not claimed any amount under water charges, which is also reflected in Form 1.12 and Form E(b) of their APR application. Accordingly, the commission does not admit in APR 2018-19 under the head of water charges.

3.10 Coal and Ash Handling Expenses:

- 3.10.1 In the MYT order of 6th control period, the Commission admitted Rs. 84.31 lakh for the year 2018-19. The Commission decided in the MYT order of 6th control period to consider admission of the Coal and Ash Handling charges after prorating the same with normative generation for respective ensuing years and considering escalation following CPI Inflation for respective years 2018-19 and 2019-20

- 3.10.2 IPCL has claimed Rs. 73.61 lakh under the head of coal and ash handling charges, which are also supported by Note 41 of Annual Accounts and Form 1.12 and Form E(b) of APR application. Actual generation during 2018-19 was 28.93 MU as against approved generation of 84.10 MU. Since the approved cost of Rs. 84.31 lakh, prorated on basis of actual generation, i.e., $\text{Rs. } 84.31 \text{ lakh} \times \frac{28.93 \text{ MU}}{84.10 \text{ MU}} = \text{Rs. } 29 \text{ lakh}$, the Commission admits Rs. 29 lakh under this head under generation function



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Table 3.10

Sr. No.	Particular	
1	Admitted amount (Rs lakh)	84.31
2	Target generation (MU)	84.10
3	Coal and Ash handling charge/unit generated (Rs lakh/MU) (3=1/2)	1.002
4	Actual generation (MU)	28.93
5	Expenses proportionate to actual generation (Rs lakh) (3*4)	29
6	Admitted in APR order 2018-19	29

3.11 O&M Expenses for Generation:

3.11.1 O&M expenses of generation for Rs. 93 lakh were allowed in the tariff in accordance with the norms specified in Schedule 9A of the Tariff Regulations. Only new power plant (12 MW) at Dishergarh was under commercial operation for the whole year.

3.11.2 IPCL has claimed an amount of Rs. 93.56 lakh under the head of O&M expenses for generation including Rs. 18 Lakh common expense apportioned for generation. Form 1.12 also mentions a total of Rs. 93.56 lakh for O&M for generation. The O&M expenses for generation for 2018-19 will be determined as per norms specified in para 4.8.1 Table 4.4 of Tariff order 2018-19.

3.11.3 O&M expenditure is a controllable expenditure using operating norms and hence shall be guided by Regulation 2.5.5 (ii) of the Tariff Regulation read with tariff order 2018-19

Table: 3.11

O&M Expenses Computation for Generation Function

Unit No	Unit Size (MW)	O&M Expenses Rs Lakh Per MW	No of Days	Total Expenses in Rs. Lakh
Dishergarh TPS (New)	12	7.75	365	93.00



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3.11.4 O&M expenses for Generation are a controllable expenditure using operating norms. the Commission admits Rs 93.00 lakh in the APR for 2018-19 under the Generation function.

3.12 Repair and Maintenance (R&M) for Distribution.

3.12.1 In the MYT order IPCL was allowed Rs 386.31 lakh for 2018-19 towards R&M for distribution. However, IPCL has claimed an amount of Rs 952.59 lakh under the head of R&M for distribution in its petition. As per form 1.15 IPCL has claimed Rs 821.79 Lakh as R & M expense and Rs 148.70 as consumption of stores and spares for distribution as per note 41 of the Annual account, the consumption of stores and spare parts are shown as Rs. 185.16 lakh and total repair charges are Rs 858.01lakh. As per para 4.8.2.5 of Tariff order , while finalizing APR for the year 2018-19, 2019-20 if actual value of Distribution Line length in CKM/ Consumer strength in no is found to be higher or lower than admitted in tariff order 2018-19, 2019-20, , the impact of such differential amount will be adjusted to the projected value of DLL/CS for the period 2018-19, 2019-20. As the increase in distribution line length is less than the 5% compared to MYT projection as shown in paragraph 3.4 and since R&M expenses is a controllable item, the Commission decides to restrict the admitted amount under the head of R&M expenses to Rs 386.31 lakh as per the Tariff Order.

3.13 Administrative and General (A&G) Expenses for Distribution.

3.13.1 Administrative & General (A&G) expenses comprise of audit expenses, legal and professional expenses , other administrative and general expenses and rent. A total amount of Rs. 683.04 lakh was allowed to IPCL in ARR in this regard for the year 2018-19 with following break up.



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Table 3.13.1

Expense Item	Allowed in MYT (Rs in Lakh)
Audit Expense	9.55
Other A & G Expense	465.69
Legal and consultancy Charges	144.14
Rent , Rates and Taxes	63.66
Total	683.04

3.13.2 As per MYT Order of 2018-19, the amount admitted under the head of Audit Fees is Rs. 9.55 lakh. However, IPCL has claimed Rs.33.34 lakh for the same in their APR application, which has also been corroborated with Annexure A of Auditor's Certificate (Annexure 2) of APR application. But, the Commission admits Rs. 9.55 lakh under the head of Audit Expenses considering these charges as controllable.

3.13.3 As per MYT Order of 2018-19, a total of Rs. 144.14 lakh were admitted under the head of "Legal and Professional Charges". However, IPCL has claimed an amount of Rs. 371.77 lakh. The summation of legal charges and consultancy charges, mentioned in Auditor's Certificate (Annexure 2) of APR applications gives 371.69 lakh. As per para 4.8.2.5 of Tariff order while finalizing APR for the year 2018-19, 2019-20 if actual value of Distribution Line length in CKM/ Consumer strength in no is found to be higher or lower than admitted in tariff order 2018-19, 2019-20, the impact of such differential amount will be adjusted to the projected value of DLL/CS for the period 2018-19, 2019-20 As Consumer strength has increased by 5.69% compared to MYT projection, the commission admits Rs 152.34 (1.0569×144.14) lakh under the head of legal and professional charges in line with Tariff Order considering these charges as controllable.

3.13.4 Under the head of other A&G expenses, the amount admitted in Tariff Order 2018-19 is Rs. 465.69 lakh, whereas IPCL has claimed Rs.928.24 lakh in APR petition. The miscellaneous expenses on Pages 7 of Auditor's Certificate (Annexure 2) of APR application indicates a total of Rs. 839.45 lakh. As per para 4.8.2.5 of Tariff



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order , while finalizing APR for the year 2018-19, 2019-20 if actual value of Distribution Line length in CKM/ Consumer strength in no is found to be higher or lower than admitted in tariff order 2018-19, 2019-20, , the impact of such differential amount will be adjusted to the projected value of DLL/CS for the period 2018-19, 2019-20 As that consumer strength has increased @ 5.69% compared to MYT projection, so commission admits Rs. 492.19 (1.0569*465.69) lakh, as the other A&G charges as the same is a controllable item as per the second amendment of Tariff Regulations 2011. Further, from the consolidated amount of Rs 52.49 lakh claimed under the head "Rent, Rate and Taxes", the "Rent" head has to be segregated and has to be considered under A&G expense. "Rates and taxes" without the head of "Rent" is to be considered as a separate expense head in ARR. Thus, the Rent of Rs 7.70 lakh, as discernible from Note 41 of audited accounts is included in claim under A&G.

3.13.5 Accordingly, total of Rs 661.78 lakh are considered under the head of A&G expenses for distribution as shown in Table below.

Table 3.13.2

A&G Expenses for Distribution

Expense Item	Admissible in ARR 2018-19 (Rs Lakh)
Audit expenses	9.55
Other A&G Distribution	152.34
Legal & Prof. charges	492.19
Rent	7.7
Total	661.78

3.13.6 From the breakup of Miscellaneous expenses provided in Annexure 2; Audited Account, it is observed that, the expense of WBERC license/ filing fees has been claimed by IPCL as 13.16 lakh. This is allowed separately. Further, from the consolidated amount of Rs 52.49 lakh claimed under the head "Rent, Rate and Taxes", the "Rent" head has to be segregated and has to be considered under A&G expense. "Rates and taxes" without the head of "Rent" is to be considered as a



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separate expense head in ARR. Thus, the Rent of Rs 7.70 lakh, as discernible from Note 41 of audited accounts is included in claim under A&G. The amount Rs 44.79 lakh booked under "Rates and Taxes" for distribution function.

3.13.7 The A & G Expense is recomputed as below. As per Note no. 41 of audited account break up of A & G Expenses are shown as below.

Table 3.13.3 A & G Expense recomputed

Expense Head	Distribution in Rs Lakh
Audit Expense	33.34
Misc. Expense	839.45
Loss of foreign expense Fluctuation	0
Legal and professional expenses	371.77
Rent	7.7
Total	1252.26

3.13.8 The Staff training expenses of Rs 19.91 lakh (para 3.8 above) is to be part of other A & G expense for distribution function. Further, the bank charges of Rs 285.25 lakh as claimed under other finance charges has to be included in other A&G,

3.13.9 In view of the above, the revised claim of the other A&G expenses by IPCL is computed as follows.



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Table 3.13.3A

Expense Head	Distribution
Total A & G Expense as per table 3.13.3	1252.26
Less Legal Expense	371.77
Less filling Charge	13.16
Less Audit fees	33.34
Less Rent	7.7
Add Bank Charges	285.25
Add Staff Training Charge	19.91
Other A & G	1131.45

3.13.10 As per the provisions of the MYT Regulations, A&G expenses for distribution function are considered as controllable and the only increase due to actual business volume growth is considered in A&G expenses and can be adjusted upto MYT order of Rs 683.04 lakh as per regulation 2.5.5 (iv). Thus, the total admittance under these heads is restricted to the amount admitted in MYT and increase due to increase in business volume growth. Accordingly, the Commission admits total A&G Expenses of Distribution function as shown in Table 3.13.4 and total O & M Expenses for Distribution as shown table 3.13.5 below.

Table 3.13.4

Admitted Amount for A&G Expenses in Distribution

Expense Item	Amount Admitted in MYT Order	Amount Claimed (as recomputed) in APR Rs Lakh	Amount approved in APR Rs Lakh
Auditor	9.55	33.34	9.55
Legal and professional	144.14	371.77	152.34
Other A&G Dist.	465.69	1131.45	492.19
Rent Rates and Taxes	63.66	7.7	7.7 (Only Rent)
Adjustment for A & G Expenses under regulation 2.5.5 (iv)			21.26



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Expense Item	Amount Admitted in MYT Order	Amount Claimed (as recomputed) in APR Rs Lakh	Amount approved in APR Rs Lakh
Total A&G expenses	683.04	1544.26	683.04

Table 3.13.5
Total admitted O & M expenses for Distribution

Expense Item	Admitted in MYT in Lakh	Claimed in Petition in Lakh	Approved in APR in Lakh
R & M	386.31	952.59	386.31
Total A & G Expanse	683.04	1544.26	683.04
Total O & M	1069.35	2496.85	1069.35

3.14 Insurance:

3.14.1 The Commission in its Tariff order for 2018-19, has admitted insurance premium as Rs 38.10 Lakh. (7.26 Lakh for generation and Rs 30.84 Lakh for Distribution function). However, IPCL has claimed an amount of Rs 54.63 lakh (Rs. 3.90 lakh for motor insurance and Rs. 46.83 for fire insurance and Rs. 3.89 lakh for miscellaneous). Rs 46.16 lakh for distribution function and Rs 8.47 lakh under generation function. The Commission notes that, same amount is mentioned in note 41 of audited account submitted by IPCL. IPCL has confirmed that they have undergone a process of selection of insurance provider while considering the framework as per provisions of Regulation 5.23.1 of WBERC Tariff Regulation 2011 IPCL also confirmed that the selection of insurance providers was based on transparent process of inviting quotations and selection among them through evaluation and internal approval in line with the compliance requirements under applicable regulations and they have paid the insurance after due negotiation with insurance company and there is no scope for further reduction and some policies have been in place since last few years. As per the amendment of MYT Regulations 2011, insurance is considered as an uncontrollable factor. Hence, the Commission admits expenses of Rs 54.63 lakh. Rs 8.47 lakh under generation function and Rs



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46.16 lakh under distribution function in APR of 2018-19 as proposed by IPCL in form 1.17(f) APR Petition statement of "Details of Insurance paid".

3.15 Rates & Taxes

3.15.1 As per MYT order for 2018-19 rent, rates and taxes approved were Rs 63.66 Lakh for distribution function . IPCL in its application claimed an amount of Rs 47.45 Lakh under the head rates and taxes with a breakup of Rs 2.66 lakh for generation function and Rs 44.79 lakh for Distribution. Taxes are subjected to government policies and are uncontrollable for the licensee. However, it also needs to be ensured that the taxes paid on legitimate and admitted heads of expenditure are only allowed to be passed on to tariff. As the Commission performs a prudence check and inefficiencies are not allowed as a pass-through, similarly the tax elements of such inefficiencies are also to be disallowed.

3.15.2 Pages 6 of the Auditor's Certificate (Annexure 2) of APR application indicate the total rates and rates and taxes payable as Rs. 47.45 lakh . Note 41 of Annual Audited Accounts indicates the rates and taxes to be paid as Rs. 47.45 lakh. As per 2nd amendment of Tariff Regulations 2011, "Rate and Taxes" are considered an uncontrollable factor. Accordingly, the Commission admits Rs 47.45 lakh towards "Rates and Taxes" The break up for generation and distribution function is Rs 2.66 is Rs 44.79 Lakh respectively.

3.16 Depreciation.

3.16.1 The Commission has admitted total depreciation Rs 1211.97 lakh in the Tariff Order for the year 2018-19 for 12 MW unit (New) of DPS. IPCL has claimed Rs 1538.59 lakh towards depreciation in its APR application and provided a breakup of the depreciation in Form B of the Petition.

3.16.2 The Commission notes that, the depreciation amount in Note No 40 of Audited account of IPCL is shown as Rs 1612.62 lakh with break-up of 1580.26 as depreciation and 32.14 as amortization. IPCL has provided a reconciliation of



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depreciation claimed in APR. IPCL has reduced the depreciation of Rs 40.93 lakh against the cost of additional three floors of its building at Salt Lake in Kolkata including the cost of the air conditioning plant and elevator, 21.89 lakh depreciation on leasehold land at the corporate office and 11.22 lakh depreciation on flats at Haldia, thus arriving at an amount of Rs 1538.59 Lakh.

3.16.3 Further, the project cost of DPS 12 MW power station will be restricted to the approved amount of Rs 6,654 lakh. Thus, in effect, for 2018-19, depreciation for generation will be only allowable on Rs 6,654 lakh as noted in table under para 4.15.1 of the MYT order. However, the Commission notes that, IPCL in form B of the Petition has considered much higher generation asset value under depreciation. The Commission considered a depreciation of Rs 252.60 lakh for Dishergarh 12 MW plant in APR 2017-18 on an acknowledged Asset of Rs 6,654 lakh. There has been no addition of admissible asset value for 12 MW Dishergarh plant as against the claim for generation function at Rs. 320.39 lakh by IPCL in APR Petition. Therefore, depreciation could be allowable at the same rate that admitted in APR 2017-18.

3.16.4 Total capitalization of JK Nagar substation as noted from Form 1.19 (b) and Form 1.19 (c) is Rs. 14,589.74 lakh included in Distribution assets. Approved Project Cost for JK Nagar substation as per Order dated 22.11.2018 in Case No. OA-57/09-10 is Rs. 11,008.00 lakh. Cost of the LILO component, as per Order dated 23.12.2020 in Case No. OA-57/09-10 is Rs. 3,860.97 lakh, which is included in Rs. 11,008.00 lakh. As per APR application paragraph no.59, return on equity and depreciation are not allowable to IPCL on Rs. 3,860.97 lakh. Therefore, depreciation would be allowable for JK Nagar substation on asset value of Rs. 7,147.03 lakh (Rs. 11,008.00 lakh – Rs. 3,860.97 lakh = Rs. 7,147.03 lakh).

3.16.5 Such depreciation is allowable on Rs. 7,147.03 lakh as mentioned above which comes to Rs. 245.86 lakh. The Commission determined proportionate depreciation for 220 kV JK Nagar substation for Rs 501.88 lakh on a total asset value of Rs. 14,589.74 lakh based on the available documents submitted during APR 2015-16.



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In view of the above, the net disallowance for depreciation in respect of 220 KV J.K. Nagar substation accordingly comes to Rs. 256.02 lakh (Rs. 501.88 lakh – Rs. 245.86 lakh).

3.16.6 In para 68 of APR petition, IPCL has deducted the depreciation incurred on cost of additional 3 floors of its building at Salt Lake in Kolkata of Rs. 40.93 lakh, from their claim of depreciation, which has also been corroborated with the Auditor's Certificate (Annexure 2) of APR application. In addition to this, IPCL has also considered depreciation on leasehold land at the corporate office of Rs. 21.89 lakh and depreciation for Flats at Haldia of Rs. 11.22 lakh. The same has also been reflected in Form B of their APR application. Based on submission above, depreciation on additional 3 floors of the building at Salt Lake, on leasehold land at Corporate Office and on flats at Haldia is not admitted from the total depreciation on assets.

3.16.7 Hence, the net admissible depreciation comes out to be Rs. 1214.77 lakh, as against the claim of Rs. 1,538.58 lakh by IPCL. Hence, the Commission admits an amount of Rs.1214.77 under the head of depreciation. Summarising above, the allowable depreciation for 2018-19 is as follows:

Table 3.16.1

Sl. No.	Particulars	Admitted in Tariff Order (Rs. Lakh)	Amount claim in APR application (Rs. Lakh)
1	Depreciation expenses as per audited DPS Division Account		1612.62
2	Less: depreciation on		
A	Additional 3 floors of Kolkata office (Form B)	40.93	
B	Leasehold land at corporate office (Form B)	21.89	
C	Generation Assets Disallowed for DPS 12 MW (para 3.15.4above) (320.39.-252.60)	67.79	
D	JK Nagar S/Stn. (3.15.6)	256.02	
E	Flat at Haldia	11.22	
3	subtotal A to E		397.85
4	Depreciation allowable (SI 1 - SI 3)		1214.77



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3.16.8 Thus Rs. 1214.77 lakh has been admitted towards depreciation for 2018-19 with function-wise allocation as under:

Table 3.16.2

	Generation in Rs. Lakh	Distribution in Rs. Lakh	Total in Rs. Lakh
Depreciation as per APR application (Form B)	320.39	1218	1538.39
Depreciation admitted	252.60	962.17	1214.77

3.17 Interest on Borrowed Capital

The Commission in the MYT order allowed Rs 944.18 lakh for 2018-19 towards Interest on actual capital borrowing capital, of which Rs. 237 lakh were allocated for Generation function and Rs 707.18 lakh was for distribution function. The total interest on borrowings allowed was Rs 1842.77 . IPCL claimed Rs 1328.29 Lakh as interest on actual borrowing and Rs 1062.22 as interest on normative debt totaling Rs 2390.51 Lakh as interest on capital loans.

The interest calculation as per Form C is as below.

Table: 3.17.1

Sources of loan	Loan Amount in Rs Lakh	Interest Rate	Interest in Rs. Lakh
IDBI Bank - Term Loan	4000.00	12.05%	232.67
South Indian Bank Ltd. - Term Loan	7700.00	11.35%	653.34
Ratanakar Bank - Term Loan -II	5000.00	11.00%	366.89
Corporation Bank Term Loan	6500.00	11.70%	75.39
Axis bank OD A/C	40000.00	9.75%	1,583.49
100 CRORE NCD	10000.00	10.75%	557.23
20 CRORE NCD (LIC)	2000.00	12.00%	212.52
IDBI STL	4800.00	10.70%	24.51
Lakhi vilas bank Ltd	125.00	11.20%	949.51
Total	90125		4,655.55

3.17.1 The Form E(B) and Auditor's Certificate (Annexure 2) of APR Application mentions a total of Rs. 2390.51 lakh as interest on capital loans.



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- 3.17.2 As mentioned, form 1.9(C), asset value of JK Nagar substation was Rs. 14,589.74 lakh and the approved project cost was Rs. 11,008.00 lakh. In Form C, IPCL has claimed Rs 7,700 lakh as loan for J.K Nagar substation. The loan amount being 69.95% of the approved project cost, the interest amount proposed as Rs. 653.34 lakh is admitted against J.K Nagar sub-station.
- 3.17.3 As mentioned in Form 1.19 (B), the asset value of the 12 MW generating station is Rs. 8,974.83 lakh, whereas the project cost approved during 2nd stage approval is Rs. 6,654.00 lakh. From the submission made in Form C of the APR petition, the Commission has noted that IPCL has claimed Rs. 4000 lakh as loan for the generating station. The loan amount being 60.11% of the considered project cost. Therefore, the Commission allows Rs. 232.67 lakh as interest expense for the 12 MW plant.
- 3.17.4 The Commission has dealt with the issue of NCD borrowings in detail vide its Order dated 22.07.2022 wherein the Commission has not allowed issuance of NCD and expenses towards issuance of NCD. Accordingly, the Commission in this APR order has not considered such loans under capital borrowing. Further, the Commission has considered the working capital and interest on consumer security deposit separately in this APR order in accordance with Regulatory provisions. Thus, only the loan for DPS 12 MW plant and JK Nagar substation are considered for admittance, totaling to interest expense of Rs. 653.34 lakh + Rs. 232.67 lakh = Rs. 886.01 lakh.
- 3.17.5 The loan from Ratnakar bank on account of Misc. routine Capex and maintenance of CAPEX has been mentioned in Form C without any segregation and capitalization details. Raghunathpur plant is not an approved project by the Commission. The loan from Corporation bank is taken for partial financing LT CAPEX but clear segregation is not given, hence the commission doesn't allow the interest for Partial financing CAPAX for LT network loan by corporation bank of Rs 75.39 Lakh. The commission does not allow interest on Axis Bank O/D account. Hence, the Commission does not admit the corresponding interests of Rs 75.39 Lakh, Rs.366.89 lakh, Rs.1583.49



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lakh, Rs. 557.23 lakh, Rs 212.52 lakh, Rs 24.51 lakh, and Rs 949.51 lakh respectively.

Hence, the Commission admits a total amount of Rs. 886.01 lakh as interest on capital loans with a corresponding weighted average interest rate of 11.40% The Commission has also computed the Gross Fixed Assets as per the annual accounts as shown in table below;

Table 3.17.2

Particulars	2017-18	2018-19	Data source
Gross Block of fixed asset as per Form B	45276.62	47509.22	From Petition Table No. 21
Less: Asset disallowed			
Additional 3 floors at Salt Lake building	-1711.98	-1865.69	From Form B
Leasehold land at Salt Lake	-1324.55	-1324.55	From Form B
Flats at Haldia	-724.3	-724.3	From Form B
Leasehold land at Raghunathpur	0	0	
Capitalisation in excess of approval at DPS	-2238.88	-2320.83	Form 1.19 (b) 1.19(c) read with Order dated 22.11.2018 in Case No. OA-57/09-10
JK Nagar substation not put to use	-3581.74	-3581.74	
Admissible gross block of fixed assets	35695.17	37692.11	
Less: Consumers contribution & Adv.	2497.7	2779.1	From 1.18 vol1
Net Cost of fixed assets	33197.47	34913.01	
Admissible net Addition to fixed asset		1715.54	Net fixed asset of 2018-19-net fixed asset 2017-18

The amount allowable towards interest on the normative loan is computed in terms of Form 1.20 (b) of WBERC Tariff Regulation, 2011 as under;

Table 3.17.3

SI	Normative debt	Derivation	Amount (Rs lakh)
1	Opening Gross Normative Debt	CB 2017-18	12202.99
2	Less: Cum Repayment upto the previous year	CB 2017-18	4621.39
3	Opening Net Normative Debt	3 = 1 – 2	7581.60
4	Actual addition to debt during the year	Form C	0
5	Addition to Fixed asset during the year	Table 3.14-2	1715.54



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SI	Normative debt	Derivation	Amount (Rs lakh)
6	Normative addition to debt @ 70% of fixed asset addition	6 = 5 X 70%	1200.878
7	Addition to debt to be considered for APR	Higher of 4 & 6	1200.878
8	Additional Gross Normative debt for the year	8 = 7 – 4	1200.878
9	Repayment of normative debt during the year	10% of (3+8)	878.2478
10	Net additional gross normative debt during the year	10 = 8 – 9	322.6302
11	Closing balance of net normative debt	11 = 3 + 10	7904.23
12	Average balance of net normative debt	12 = (3+11) / 2	7742.92
13	Weighted average rate of interest	Form C	11.58%
14	Allowable interest on normative debt	14 = 12 X 13	896.63
15	Closing balance of gross normative debt	15 = 1 + 8	13403.87
16	Cumulative repayment of normative debt upto the year	16 = 2 + 9	5499.64

3.17.6 As shown in Form C, the purpose of loan for allowable borrowed capital is DPS 12 MW unit, thus the interest cost is allocated to generation function. JK Nagar loan is allocated to distribution function. For allocation of normative debt, the ratio of closing GFA as per Form 1.18 is considered. Closing GFA as per Form 1.18 for Generation is Rs.8,974.83 lakh and for distribution, it has been computed as Rs. 31840.36 lakh (Rs. 40815.16 lakh – Rs. 8,974.83 lakh). The function-wise admitted amount towards interest on borrowed capital and normative debt of IPCL for 2018-19 is as follows.

**Table 3.17.4
Interest Payable for IPCL in 2018-19**

Particulars	Generation Rs. Lakh	Distribution Rs. Lakh	Total Rs. Lakh
Admissible Asset as per form 1.18	8974.83	31840.71	40815.51
Normative debt	197.16	699.47	896.63
Borrowed capital interest	232.67	653.34	886.01
Total	429.83	1352.81	1782.64

3.18 Other Finance Charges

3.18.1 IPCL has claimed an amount of Rs. 342.69 lakh towards other finance charges being other borrowing costs / Non – Convertible Debenture (NCD) issue expenses etc. IPCL has submitted in Auditor certificate that out of Rs. 342.69 lakh, Rs 285.25



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Lakh are Bank Charges Rs -5.69 lakh is for NCD issue expense, Rs. 63.12 lakh for other borrowing costs.

3.18.2 The Commission has already considered the claim of the bank charges of Rs 285.25 lakh under the head of Other A&G expenses as shown in Paragraph 3.12.7 above. Hence, the Commission has not considered bank charges of Rs 285.25 lakh under Other Finance charges. IPCL has claimed 63.12 Lakh as an LC opening Charge less NCD expense amortization of 5.5 Lakh. IPCL has not claimed any fresh Loan for the year 2018-19 hence Commission has not allowed LC Opening charges. Accordingly, the commission allows Nil as Other finance charges.

Table 3.18

Particulars	Generation Rs. Lakh	Distribution Rs. Lakh	Total Rs. Lakh
Other finance charge (in Rs. Lakh)	0	0	0

3.19 Advance against Depreciation / Interest Credit

3.19.1 IPCL in their APR application has not claimed any amount under this head as shown in form 1.17 (e). In absence of clarity of purpose in loan drawal mentioned in Form C, the Commission has allowed interest on loan for 12 MW generation project and J.K Nagar substation and for LT network. For the rest of the assets, the Commission has considered normative loan. Accordingly, the repayments vis-à-vis the allowable cumulative depreciation is considered for computation of interest credit as below:

Table 3.19.1

Sl. No.	Particular	Amount
1	Depreciation admitted	1214.77
2	Admitted Repayment as per form C	1170.00
3	Excess depreciation (1-2)	44.77
4	Excess depreciation Over loan repayment in up to 31.03.2018	3,346.69
5	Cumulative excess depreciation available (3+4)	3,391.46
6	Rate of interest	11.40%
7	Interest credit	386.63



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3.19.2 cumulative depreciation vis a vis allowable repayment of the loan up to 31.03.2019 is calculated as below.

Table 3.19.2

Year	Depreciation-Distribution	Depreciation-DPS 12 MW	Total Depreciation	Repayment	Excess of Depreciation over Repayment
2006-07	197.90		197.90		197.90
2007-08	241.61		241.61	137.2	104.41
2008-09	302.18		302.18	283.37	18.81
2009-10	353.31		355.31	350.55	4.76
2010-11	363.28		363.28	413.65	-50.37
2011-12	450.78		450.78	0	450.78
2012-13	526.81	128.8	655.61	9.95	645.66
2013-14	633.49	252.6	886.09	0	886.09
2014-15	569.56	239.97	809.53	400.00	409.53
2015-16	763.84	252.6	1016.44	400.00	616.44
2016-17	868.79	252.6	1121.39	1086.08	35.31
2017-18	901.57	252.6	1154.17	1126.80	27.37
2018-19	962.17	252.6	1214.77	1170.00	44.77
Total			8769.06	5377.60	3391.46

3.19.3 Thus, Rs 386.63 lakh has been considered under head Interest credit against depreciation for year 2018-19.

3.19.4 Such amount is allocated to generation and distribution function as per GFA as below:

Table 3.19.3

	Generation	Distribution	Total
Admissible Asset	8974.8	31840.71	40815.51
Interest credit	85.01	301.62	386.63



3.20 Reserve for unforeseen exigencies

- 3.20.1 In the MYT order of 2018-19, the Commission has not allowed any amount towards Reserve for unforeseen exigencies. In para 4.18.3 of the MYT order, the Commission directed that the amount allowed so far with interest has to be invested in accordance with the Tariff Regulations.
- 3.20.2 In the audited annual accounts of IPCL, Annexure III, Reserves and surplus indicates that the amount booked under unforeseen exigency reserve and unforeseen exigencies interest reserve is Rs.721.00 Lakh and 346.39 lakh respectively at the end of 2018-19. Total amounts under different investments under unforeseen exigency reserve and unforeseen exigencies interest reserve has also been shown in Note 15.1 (b) of the audited annual accounts of IPCL. Thus, the provisions of the tariff regulations are complied with. However, in line with the MYT order, Commission does not admit any amount under this head for the current year 2018-19

3.21 Bad Debt

IPCL has claimed Rs. 40.87 lakh under this head in APR 2018-19. In the tariff order for 2018-19, provision for bad debts was not considered. As per para 79 of APR petition Rs 14.41 Lakh are provision for bad debt . The same is reflected in Note no. 41 of annual account. IPCL has submitted an additional detail on date 22.4.24 that "Allowance for bad and doubtful debts (net) in Note no. 41 is actually written off but was not able justify the same. Hence commission does not allow any amount against Bad debt.

3.22 Interest on Consumers' Security Deposit:

- 3.22.1 In Form E(B), IPCL has claimed Rs 160.68 lakh under the head Interest on Consumers' Security Deposit for the year 2018-19 under distribution function against the admitted expenditure of Rs 156.43 lakh in MYT. The Total interest



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claimed as per Form C in APR application is Rs 160.68 lakh. IPCL has submitted a statement of finance cost certified by auditor in annexure 2 of the petition wherein the interest of security deposit is shown as Rs 160.68 lakh.

3.22.2 The Commission thus admits Rs 160.68 lakh towards interest on consumer security deposit for the year 2018-19 and allocates the whole amount to distribution function. The second amendment of Tariff Regulations 2011 classifies interest rates as uncontrollable.

3.23 Income Tax

3.23.1 The Tariff Order of 2018-19 admits an amount of Rs. 422.24 lakh. IPCL has claimed an amount of Rs. 537.26 lakh in their application and in Form E (B) of the APR application towards income tax, Rs 129.19 lakh under generation and Rs. 408.07 lakh under distribution function.

3.23.2 IPCL has submitted an Income Tax Acknowledgment Form as a part of Auditor certificate in Annexure 2 of APR application. The same is shown in audited account note No.44.

3.23.3 Since the tax on income is uncontrollable, the Commission admits the value of Rs. 537.26 lakh as the taxes on income as per annual audited account.

3.23.4 IPCL is directed to submit Income Tax assessment certificates for all previous years upto FY 2018-19 from Income tax department within one month of issuance of this order.

3.24 Return on equity (ROE):

3.24.1 In terms of regulations 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, IPCL is entitled to have a return on equity base deployed in its generation and distribution functions @ 15.5% and 16.5% respectively IPCL has claimed Rs.1735.49 lakh towards return on equity in APR for 2018-19 against an admitted amount of Rs 1959.44 lakh in MYT order for 2018-19. In para 4.14.4 of the MYT order, the Commission directed



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IPCL to allocate the equity base of IPCL and submit the same with application. Function-wise allocated equity base is available in Form 1.22 of the APR application of IPCL.

3.24.2 In the APR orders 2012-13 and 2013-14, the Commission has worked out the admissible equity for the Generation and Distribution function of IPCL and accordingly proceeded to admit the ROE for the respective years. In absence of any allocation statement from IPCL, the consolidated actual equity of power business is worked out from the financial statements of IPCL and thereafter the ROE is admitted on the basis of admissible equity based on the historical equity balance and addition to admissible asset. Such calculation methodology is continued for the present year also.

3.24.3 The opening and closing balances of actual equity as per audited annual accounts of DPSC Division are as follows.

Table 3.24.1

Particulars		31.03.2018	31.03.2019	Reference note
		A	B	
Share capital	1	9737.9	9737.9	Note 4 of DPSC Account
Surplus	2	-10818.9	-10502	Note 5 of DPSC Account
Gen reserve	3	436.69	436.69	Note 5 of DPSC account
Total Free reserves	4=2+3	-10382.21	-10065.31	
Addition	5=B4-A4		316.9	

3.24.4 In the MYT order of 2016-17, in para 4.3.1(a) it was directed that 5% of project cost of DPS 12 MW will be withheld till the submission of documents specified in the order. Considering the fact that IPCL has submitted the response on 13.09.2022, the effect of such withheld project cost is not being considered in admitting ROE for the year 2018-19.

3.24.5 As evident from above table 3.24.1 IPCL has accumulated loss of Rs 10065.31 Lakh after offsetting general reserves. It has therefore no Free reserves. The equity base only comprises of share capital of Rs 9737.90 Lakh for the purpose of admitting



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ROE. Out of Which Rs 1996.20 is considered for DPS 12 MW Plant. The balance Rs 7741.70 Lakh are considered for distribution function. Based on above facts ROE for the year 2018-19 is calculated as below.

Table 3.24.2

Sl No	Particulars	Generation (Rs. Lakh)	Distribution	Total Rs. Lakh
		DPS	(Rs. Lakh)	
1	Admissible Equity Base at the beginning of the year	1,996.20	7,741.70	9,737.90
2	Admissible Equity Base at the end of the year	1,996.20	7,741.70	9,737.90
3	Average Admissible Equity Base for the year	1,996.20	7,741.70	9,737.90
3	Rate of return in %	15.50%	16.50%	
3	Allowable return	309.41	1277.38	1,586.79

3.24.6 On account of ROE for 2018-19 Rs 1586.79 lakh is admitted with following functional allocation.

Table 3.24.3

Return on Equity allowed	Generation Rs. Lakh	Distribution Rs. Lakh	Total Rs. Lakh
	309.41	1277.38	1,586.79

3.25 Interest on Working Capital

3.25.1 The amount of Rs. 184.37 lakh on this head was considered in the tariff order for 2018-19. IPCL has claimed Rs 196.87 lakh towards working capital loan. As per their submission in Form 1.17(b) and they have indicated the rate of interest of such loan as 12.04%.

3.25.2 The weighted average interest on working capital loan has been computed on the basis of working capital loans indicated in Form C submitted with APR application, considering actual interest paid and interest rates mentioned in Form C. the computation is detailed in the following Table:



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Table: 3.25.1

INTEREST COMPUTATION OF WORKING CAPITAL LOAN

Source	Rate of Interest	Loan (Rs. Lakh)	Amount (Rs. Lakh)
IDBI Bank - Cash Credit	11.90%	2500	297.5
South Indian Bank Ltd. - Cash Credit	12%	5500	654.5
Axis Bank Cash Credit	12.65%	2700	341.55
Ratnakar Bank Cash Credit	12.30%	4000	492
South Indian Bank Ltd.- Short term Loan	10.25%	2500	256.25
Laxmi villas bank STL	8.9%	10000	890
Weighted Average rate	10.78%	27200	2931.8

3.25.3 In terms of regulations 5.6.5.1 of the Tariff Regulations, working capital requirement shall be assessed on a 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. However, the above assessment of requirement of working capital would be 10% instead of 18% on the base amount since IPCL has already introduced Monthly Variable Cost Adjustment and realized for the year 2018-19. The MCLR of SBI as on 01.04.2018 of 11.65%, is taken for calculation interest of working capital as direction given in case no SM-30/21-22 dated 06.04.2022. The computation of interest on working capital is shown in the Table below:



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**Table 3.25.2
Interest on Working Capital**

SI NO	Particulars	
1	Total of admitted variable cost and fixed cost	43456.98
2	Less: Depreciation	1214.77
3	Less: Advance against depreciation	0.00
4	Less: return on equity	1586.79
5	Less: Bad debt	0.00
6	Total deduction (2+3+4+5)	2801.56
7	Allowable gross sales for working capital	40655.42
8	Allowable working capital @10% on SI NO.(6)	4065.54
9	Security deposited from consumer as on 31.03.2016 (as per annexure II)	2760.9
10	Balance requirement of working capital (7-8)	1304.64
11	Interest at SBI MCLR rate of borrowing	11.65%
12	interest on balance requirement of working capital (SI NO 9)	151.99
13	Actual interest for working capital claimed	196.87
14	Interest on working capital admitted (lower of 11 & 12)	151.99

3.25.4 As per the provisions of the tariff regulation, the commission has directed IPCL to use the consumer's security deposit as the working capital requirement. The commission noted that, the security deposit from the consumer is lower than the required working capital. Accordingly, the commission admit the amount of Rs. 151.99 Lakh as working capital interest in APR 2018-19 of IPCL and allocated between generation and distribution function on the basis of Net ARR as shown in the Table below:

Table 3.24.3

Working capital interest for Generation and Distribution function - Rs Lakh				
Sl. No.	Particulars	Generation	Distribution	Total
1	Fixed charge & fuel cost/power purchase cost excluding interest on working capital	2657.83	40799.15	43456.98
2	Working capital interest admitted	9.30	142.70	151.99



3.26 Unscheduled interchange (UI/DSM) Charges:

The Commission observed that IPCL has claimed an amount of Rs.999.24 lakh for a drawal of 31.36 MU of power as net UI charges. In terms of regulation 5.17.2 of the Tariff Regulations, the net UI/ DSM charges payable by a distribution licensee will be considered as an expenditure limited to 5% of the total power purchase cost. The net UI charge payable by IPCL during 2018 – 19 is 3.10% of its total power purchase cost during the year. Hence, the net UI charge of Rs. 999.24 lakh is admitted under the distribution function.

3.27 Income from Other Sources / Non-Tariff Income

The income from other operating revenues as per Form 1.26 submitted by IPCL is Rs.165.14 lakh against the admitted amount of Rs. 441.73 lakh in MYT Order. In the annual accounts such income has been shown as other operating revenue in Note 33.2 However, the amount of Rs. 1072.85 lakh booked in Note 34 of the accounts has not been considered by IPCL. From note 34.1 of the accounts for DPS Division, it is also observed that an amount of Rs. 63.42 lakh is included in other income which is actually interest income of unforeseen exigencies and has to be reinvested. The matter of Rent received as treated in APR 2011-12 was under consideration of the Commission following APTEL remand and as clarified during the remand petition of APR 2011-12 by IPCL such rent received is from an asset that has not been recognized by the Commission for the purpose of depreciation. Accordingly, the Commission considers that an asset that is not recognized for depreciation, income arising out of the same shall not be considered as well while computing ARR. As per note 34 of annual account , commission excludes 9.46 lakh gain on fair valuation of mutual funds. Thus, except the interest income of unforeseen exigencies, rent received and gain on fair valuation of mutual fund balance Rs. 997.14 lakh (Rs. 1072.85 –63.42 – 2.83-9.46 lakh) are being considered under non-Tariff income.

IPCL has shown Rs 4186.55 Lakh as liability no longer required written back in audited annual account .IPCL has provided the details along with justification of



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required Liabilities no longer required written back under affidavit on 22.4.24. From detailed provided by IPCL, it is observed that ,the amount related to Creditors not payable-revenue Rs .7.76 Lakh , SD deducted from vendors for revenue work Rs 3.91 Lakh, SD deducted from trainee employees Rs 0.21 Lakh, LD deducted from vendors for revenue work Rs 6.99 Lakh and credit balance for the consumers Rs 4.51 Lakh are actual income to IPLC. Hence Total Rs 23.38 Lakh (Rs 7.76+3.91+0.21+6.99+4.51) is also considered under income under other sources. Accordingly, the total admitted income from other / non-tariff sources is Rs. 1185.66 lakh (Rs. 165.14 lakh+ Rs. 997.14+ 23.38) as table below.

Table 3.27 Income from other sources/ Non-tariff Income

Particular	Amount in Rs Lakh
The other Income from Account Note No. 34	1072.85
Less :Rent	2.83
Less: Interest Income from Unforeseen Exigencies 34.1	63.42
Less: Gain on fair valuation of Mutual fund	9.46
	997.14
Add: Other Misc Income 33.2 except liabilities no longer required written back	165.14
Add Income considered from Liabilities no longer required written back written Back	23.38
	1185.66

In absence of any further detail available from the submissions made by IPCL, such amount of Rs.1185.66 lakh is considered for distribution and generation function in proportion to the Gross ARR with functional segregation of Rs 1120.62 lakh for distribution and Rs 65.04 lakh for the generation.

IPCL is directed to submit item wise clarification about the nature of items as considered under "other operating revenue" and "other income" in the annual account henceforth in every APR petition.



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3.28 Admissibility of Capacity Charges based on Availability

3.28.1 In terms of regulation 6.4.2 of the Tariff Regulations, the recovery of capacity charge for the generating station of IPCL shall be against normative availability. Schedule 9A of the Tariff Regulations provides for target Plant Availability Factor (in short "PAF") for coal-fired thermal generating stations.

3.28.2 Considering the facts that during the year 2018-19 only the DPS 12 MW plant was in operation, the PAF during 2018-19 would be 85% on the normative basis as per schedule 9A to the Tariff Regulations. From the data submitted in Form 1.1 and 1.1(a), the actual weighted average PAF in respect of IPCL during 2018-19 was 27.4%. The Commission now decides to deduct capacity charges to the extent of the shortfall in PAF achieved by IPCL during 2018-19.

3.28.3 The Commission has admitted the cost under the head of 'Water charges' and "Coal & Ash Handling charges" considering proportionate cost on actual generation vis-à-vis target generation. Thus, the costs allowed under those heads are not considered for disallowances of capacity charges for not attaining the target PAF also in terms of Regulation 5.25.1.

3.28.4 Based on above considerations the disallowance of capacity charge is computed in Table below;

Table 3.28

Sl No	Particulars	Amount Rs Lakh
1	Allowable Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc.	1465.24
2	Less: Cost admitted under the head 'Water charges' (para 4.6.5)	0
3	Less: Cost admitted under the head 'Coal & Ash Handling Expenses' (para 4.7.2)	29
5	Net fixed charges for disallowance : (1)-(2)-(3)-(4)	1436.24
6	Normative PAF as per Tariff Regulation	85%
7	PAF Achieved (Form 1.1 page 101 of Volume-1)	27.40%
8	Amount of Capacity Charges deductible for shortfall in PAF (considering provision under regulation 6.11.4 (i) of the Tariff Regulation)	234.30
9	Amount of capacity charges deductible for shortfall in PAF (5)-(8)	1201.94



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3.28.5 The amount of deductible capacity charge of Rs1201.94 Lakh for shortfall in PAF as computed in table above is to be deducted from the fixed charges for generation function on account of shortfalls in PAF in the APR for 2018-19.

3.29 Fixed Charges as Admitted

Based on the foregoing analyses, the amounts of fixed charges allowable under different heads in respect of IPCL have been shown in Annexure 3B. As shown in the referred annexure, the allowable amount of fixed charges, i.e. gross amount of fixed charges after adjustment of other income less withheld amounts for IPCL for the year 2018-19 comes to Rs 9746.89 lakh. of which Rs 263.30 lakh pertains to Generation and Rs 9483.59 lakh pertains to Distribution Function as per table below.

Fixed Charge Admitted	Generation in Rs Lakh	Distribution in Rs Lakh	Total Fixed Cost in Rs L
	263.30	9483.59	9746.89

3.30 Reliability Incentive:

IPCL has claimed that it has achieved system reliability of 99.86% as against 98%, as specified in Paragraph 11 of Schedule 10 of the Tariff Regulations and claimed Rs. 919.38 lakh as Incentive. IPCL has submitted weekly interruption details to the Commission in terms of regulation 9.7 (v) of West Bengal Electricity Regulatory Commission (Standards of Performance of Licensees Relating to Consumer Services) Regulations, 2010, as amended from time to time in support of their claim of reliability. Now, based on admitted net ARR of Distribution function amounting Rs 41137.04 Lakh the admissible incentives in terms of Tariff Regulation works out to Rs. $41137.04 \times (99.86 - 98.00) / 98.00 =$ Rs. 780.76 lakh.



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ANNEXURE 3A

Particulars	Inflation %			Business Volume	
	CPI	WPI	Combined (40:60)	Line length in (CKM)	Consumer Number
Consider for 2018-19 during MYT projection of 6th Control period	5.4	4.26	4.72	946	2954
Actual in 2018-19	5.44	4.29	4.75	986.91	3122
				4.32%	5.69%

WPI Calculated based on yearly data given on <https://eaindustry.nic.in> as below

Year	WPI as per annual from https://eaindustry.nic.in
2017-18	114.9
2018-19	119.8
WPI	4.26

Monthly Rate of Inflation computed based on CPI number from Office labour bureau GOI

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2018-19	3.97	3.96	3.93	5.61	5.61	5.61	5.23	4.86	5.24	6.6	6.97	7.67	5.44



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ANNEXURE 3B

SUMMARY OF FIXED COST

Sl No	Particulars	2018-19 APR Application (Rs Lakh)			2018-19 APR Admitted (Rs Lakh)		
		Generation	Distribution	Total	Generation	Distribution	Total
1	Coal and Ash Handling Charge	73.61		73.61	29	0	29
2	Employee Cost	431.23	4400.13	4831.36	351.84	4429.33	4781.17
3	Rates and Taxes	2.66	44.79	47.45	2.66	44.79	47.45
4	O&M Charges for Generation	93.56		93.56	93.00	0	93.00
5	O&M for distribution	0	2338	2338	0	1069.35	1069.35
7A	Licence /Filling fees	0	0	0	0	13.16	13.16
7	Insurance	8.47	46.16	54.63	8.47	46.15	54.63
8	Financing Charges	0	342.69	342.69		0	0
9	Interest on Borrowed Capital	462.37	1928.14	2390.51	429.83	1352.81	1782.64
10	Interest on Consumer Security	0	160.68	160.68		160.68	160.68
11	Depreciation	320.39	1218.23	1538.62	252.60	962.17	1214.77
12	Advance against Depreciation	0	0	0	0	0.00	0.00
13	Water Charges	0		0			0
14	Taxes on Income	129.19	408.07	537.26	129.19	408.07	537.26
15	Return on equity	417.33	1318.16	1735.49	309.41	1277.38	1586.79
16	Bad Debt	0	40.87	40.87	0.00	0.00	0.00
	Net UI Charges admissible					999.24	999.24
17	Fixed Cost without working capital	1938.81	12245.93	14184.74	1606.00	10763.13	12369.13
18	interest on Working Capital	12.04	184.82	196.86	9.30	142.69	151.99
19	Gross Fixed Cost (17+18)	1950.85	12430.75	14381.6	1615.29	10905.83	12521.12
20	Interest Credit	0	0	0	85.01	301.62	386.63
21	Less; Other Misc. income	0	165.14	165.14	0		
22	Less: Non-tariff income	0	57.19	57.19	65.04	1120.62	1185.66
23	Net Fixed Cost	1950.85	12208.42	14159.27	1465.24	9483.59	10948.83
24	Capacity Charge Disallowable	0	0		1201.94	0	1201.94
25	Net fixed charge Admitted	1950.85	12208.42	14159.27	263.30	9483.59	9746.89



CHAPTER – 4

AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

4.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges and fuel and power purchase cost, the re-determined allowable fixed charges for generation and distribution functions as well as fuel and power purchase cost of IPCL during the year 2018-19 came as under at Table 4.1.

Table 4.1

Sl No	Particulars	Amount (Rs. Lakh)		
		Generation	Distribution	Total
1	Admitted fuel cost excluding gain on improved distribution loss	854.69		854.69
2	Admitted power purchase cost excluding gain on improved distribution loss		31653.45	31653.45
3	Additional amount on account of saving in the rate of distribution loss		464.73	464.73
4	Total fuel and power purchase cost including gain on improved distribution loss (1+2+3)	854.69	32118.18	32972.87
5	Fixed charge allowed	263.30	9483.59	9746.89
6	Reliability incentive		780.76	780.76
7	Net recoverable Amount (4+5+6)	1117.99	42382.53	43500.52

4.2 The Commission computes the sales revenue earned by IPCL by way of sale of power to the consumers and WBSEDCL with reference to its audited accounts. IPCL has submitted the following details, as mentioned in Table-4.2 in the APR submissions, duly certified by Auditor in Annexure and also in Form 1.25:

Table 4.2

Particulars	Amount (Rs. Lakh)	
Energy Charges	37477.9	
Demand Charges	7791.08	
Additional Demand Charges	176.21	
Load factor Penalty	10.45	
Fixed Charge	200.82	
Power Factor Surcharge	268.52	
MVCA Charges	200.38	46125.36
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Particulars	Amount (Rs. Lakh)	
Less		
Timely and e Payment rebate	-585.44	
Load Factor rebate	-323.15	
Power Factor Rebate	-1240.9	
		-2149.49
Total amount billed to the consumer 2018-19		43975.87
Adjustment	-9.8	
Sale of Energy as per account for the year ending 31st March 2019		43966.07

- 4.3 The commission observed that actual revenue realized from sale of energy as per note 33 of DPSC divisional account of IPCL for 2018-19 is Rs.43966.07 lakh. The commission has not considered any revenue adjustment under the revenue from sale of energy in FY 2018-19. Accordingly, the commission has considered Rs 43966.07 lakh as actual revenue realized from sale of energy to own consumers and WBSEDCL.

Table 4.3

Sl. No.	Particular	Amount Rs in Lakh
1	Total recoverable as per table 4.1	43500.52
2	Less : Amount to be adjusted on over recovery for the year 2012-13 as per paragraph 5.2 of MYT order 2018-19 dated 09.07.2021	2035.7
3.	Less : Amount to be adjusted on over recovery for the year 2013-14 as per paragraph 5.3 of MYT order 2018-19 dated 09.07.2021	1183.71
4.	Amount recovered: Earning from the sale of Energy Electricity as per Note no.33 of DPSC Divisional account of IPCL for the year 2019-19.	43966.07
5.	Balance recoverable /Adjustable amount (1-2-3-4)	(-)3684.96



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- 4.4 IPCL vide letter no. RA/II/002/23-24/175 dated 06.11.2023 submitted additional submissions regarding discounts provided to competitive consumers in reference to APR petition for FY 2018-19 . The issue of discounts has a wider perspective, hence IPCL is directed to furnish full details regarding consumer category-wise discounts provided , reconciled with their annual accounts for all previous years up to FY 2018-19, wherever such discounts have been allowed indicating and confirming whether such discount has affected loss for any other category of consumers ever. Such information is required to be submitted within one month of issuance of this order. In absence of justification, the commission will deal the matter in any subsequent order .
- 4.5 Thus, the amount to be recovered from licensee and passed on to consumers is Rs 3684.96 lakh as shown in Table 4.3.
- 4.6 In terms of regulation 2.6.6 of the Tariff Regulations, the entire amount of under recovery of Rs 3684.96 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for any other ensuing year, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of IPCL for the concerned ensuing year accordingly.
- 4.7 This order passed by the Commission shall be subject to any order which may be passed by the Hon'ble Division Bench in High Court at Calcutta in MAT 1643 of 2015.
- 4.8 IPCL is to take note of this order.
- 4.9 A copy of the order shall be posted on the website of the Commission.
- 4.10 IPCL shall download the copy of the order from the website of the Commission and act on it. Certified copy of the order, if applied for, be given to the parties on completion of formalities laid down in the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013, as amended and on submission of necessary fees.



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Chapter 5 DIRECTIVES

- 5.1 The commission issues following direction to IPCL in the APR order 102/22-23 for compliance.
- 5.2 IPCL is directed to submit Income tax assessment certificates for all the previous year's up to FY 2018-19 from Income Tax department within one month of issuance of this order.
- 5.3 IPCL is directed to submit item wise clarification about the nature of items as considered under "other operating revenue" and "other income" in the annual account henceforth in every APR petition.
- 5.4 IPCL is directed to furnish full details regarding consumer category-wise discounts provided , reconciled with their annual accounts for all previous years up to FY 2018-19, wherever such discounts have been allowed indicating and confirming whether such discount causes adverse effect to any other category of consumers ever. Such information is required to be submitted within one month of issuance of this order. In absence of justification, the commission will deal the matter in any subsequent orders.

Sd/-

(PULAK KUMAR TEWARI)

MEMBER

Sd/-

(MALLELA VENKATESWARA RAO)

CHAIRPERSON

DATED: 02.07.2024

Sd/-
(SECRETARY)