



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

**FPPCA-112/22-23**

**AND**

**APR-103/22-23**

**REGARDING THE APPLICATION OF INDIA POWER  
CORPORATION LIMITED FOR FUEL & POWER PURCHASE  
COST ADJUSTMENT (FPPCA) AND ANNUAL  
PERFORMANCE REVIEW (APR) FOR THE FINANCIAL YEAR  
2019-20**

**PRESENT:**

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

**DATE: 16.08.2024**



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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 2019-20 under 6<sup>th</sup> control period and Fuel and Power Purchase Cost Adjustment (FPPCA) application for 2019-20 on 29.06.2022 in terms of provisions contained in Tariff Regulation. The FPPCA application and APR application admitted in Case No. FPPCA-112/22-23 and in Case No. APR-103/22-23 respectively by the Commission on 16.8.2022. The gist of APR and FPPCA was also submitted on 22.08.22 with petition.
- 1.3 The review of this instant application on the basis of the audited annual report and accounts of IPCL for 2019-20 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 the Tariff Regulations respectively. In the APR for the year 2019-20, 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 2019-20.

- 1.5 On admission of the APR application, IPCL was directed to publish the gist of the APR application 2109-20 vide letter dated 22.08.22. 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 2019-20 were also published on the website of IPCL. Opportunities were given to all to inspect the application and take copies thereof. Seven stake holders have submitted Suggestions/Objections within the stipulated period of 21 days from the date of publication of the Gist on 22.8.22.

**Table 1.5**

Sl. No.	Date of Publication	Newspapers	Last date for submission of suggestions / objections as per notification
1	22.08.22	Anandabazar Patrika	21 days from date of publication (inclusive of date of publication)
2	22.08.22	Aajkal	
3	22.08.22	The Telegraph	
4	22.08.22	Prabhat Khabar	

- 1.6 The Commission duly acknowledges the representations put forward by IPCL. Furthermore, it is observed by the Commission that There are total seven dissenting objections or constructive recommendations have been received from general public/stakeholders with regard to the Petition submitted by IPCL.
- 1.7 The objection/suggestion received in time with commission view are listed in next chapter.
- 1.8 The instant case of IPCL is being viewed in the subsequent parts of this order.



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- 1.9** 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/002/24-25/01 Dated 3.4.2024.
- 1.10** IPCL has submitted some clarification under affidavit on 22.4.2024 regarding following points.
- 1.10.1** Weather the provision for bad debt actually written off
- 1.10.2** The details of items included in "liabilities no longer required written back".



CHAPTER – 2

OBJECTION RECEIVED FROM STAKE HOLDERS

- 2.1 With reference to FPPCCA 112/22-23 and APR 103/2022-23 filled by M/S India Power Corporation Limited and gist published in newspaper, the following stake holders' objections/ suggestions for FPPCA are received in time and admitted by commission.
- 2.1.1 Shree Jee Floor Mills Limited .
- 2.1.2 Gajanan Iron Pvt Limited.
- 2.1.3 Shreegopal Concrete Pvt. LTD .
- 2.1.4 M/s Jai Salasar Balaji Industries Pvt Ltd.
- 2.1.5 M/s Jai Balaji Industries Limited .
- 2.1.6 M/s BST Infratech Limited.
- 2.1.7 Manbhoom Ispat Pvt Ltd. Limited .
- 2.2 The objections /suggestions received from all above stake holders are repetitive in nature. Hence pointwise objectors' views, assessment for power purchase cost by objectors and the commission's view on each point is listed below.
- 2.2.1 Data Deficiency Issue with the instant petition.
- The objectors have submitted that petitioner has not provided the consolidated working excel model along with tariff petition and the information provided are blur at many places.
- Commission's view**
- The issue has been dealt in chapter 3. The commission has exercise due prudence based on petition submitted by IPCL in prescribed formats as per WBERC tariff regulation.



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**2.2.2 UI Charges**

The objectors have requested to disallow the UI Charges from the Power Purchase cost.

**Commission's view**

The commission has admitted charges in fixed charges as per tariff regulation.

**2.2.3 Power Purchase Cost**

The objectors have represented regarding discrepancies in power purchase bills, unjust power purchase rates from other sources and they have assessed disallowance of Rs 2064.52 Lakhs from Power purchase cost.

**Commission's View**

The issue has been dealt in Chapter 3.



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### CHAPTER – 3

#### COMPUTATIONS OF THE ALLOWABLE FUEL AND POWER PURCHASE COST

- 3.1 IPCL has made certain prayers and submissions through the APR petition and FPPCA for 2019-20 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. 45818.94 Lakh. Against the same, IPCL in Paragraph 96 of their APR application has submitted total realizable sales revenue for 2019-20 as Rs. 49426.83 Lakh and asked for net revenue recoverable for 2019-20 as Rs 4097.15 Lakh after adjusting the sales revenue already realized in 2019-20.
- 3.2 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 2019-20.
- 3.3 The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2019-20, is to be admitted in terms of the following formula as specified by the Commission in schedule 7A to the Tariff Regulations.
- 3.4 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.



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- 3.5** The referred schedule 9B to the Tariff Regulations also stipulates that in case PAF of a generating station of the licensee falls below the normative PAF, the total gains 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.
- 3.6** 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.
- 3.7** During 2019-20, IPCL has not generated any power from the 12 MW Dishergarh power plant. Total Gross generation during the year is 0 MU and sent out energy is 0 MU. IPCL in its submission has reiterated that despite its vigorous efforts to obtain coal linkage with CIL/ECL, it could not get coal linkages.
- 3.8** 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.
- 3.9** IPCL in their submission of FPPCA application has stated that , 100 % availability of plant was lost in the year 2019-20 due to non-availability of the suitable quality coal from the market.





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3.10 IPCL has not procured any coal during the year 2019-20. From the submitted Forms D1 and D3 it is evident that there was no coal purchased or used during the year for generating power, hence computation of GCV and weighted average of coal consumed during the year is not required.

Form 2A is also Nil.

3.11 IPCL in its submission has stated that, since coal linkage is not yet obtained for its 12 MW plant, and IPCL has not used any coal and generated any unit during the year. The detail of actual generation is as below.

Table No. 3.11

Sl. No.	Particulars	Unit	As per Tariff Order	As per Actuals
1	Gross Generation	MU	84.1	0
2	Auxiliary Consumption	MU	8.41	0
3	Rate of Auxiliary Consumption	%	10.00%	0
4	Sent Out Energy	MU	75.7	0
5	Station Heat Rate	kCal/kWh	3,300	0

3.12 With the above computation, as there is no generation or auxiliary consumption IPCL is not entitled for any gain sharing as there is no improvement in Station Heat Rate and Auxiliary consumption rate.

3.13 The norm for distribution loss of IPCL for the year 2019-20 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 No. 3.13

Sl. No.	Particulars	Figures in MU
<b>A. Inputs to System</b>		
(a)	Net Sent Out Energy	0
(b)	Energy purchased during the year	815.21



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(c)	Net UI Energy Drawn	60.25
(d)	Delivered to the system [d = a + b+c]	875.46
<b>B. Utilization of Power</b>		
<b>Sl. No.</b>	<b>Particulars</b>	<b>Figures in MU</b>
(e)	Sales to consumers	845.14
(f)	Own consumption	2.55
(g)	Total utilization (f=e + f)	847.69
(h)	Distribution loss [g = d – g]	27.77
(i)	Percentage of distribution loss [i = h/d x 100] %	3.17

**3.14** The allowable quantum of distribution loss (5.25%) on actual quanta of sales to consumers as well as the actual own consumption comes to 46.97 MU  $[(847.69 / (1 - 0.0525)) - 847.69]$  as against actual distribution loss of 27.77 MU. The savings in this regard comes to 19.20 MU (46.97- MU –27.77MU). 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.

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

**3.16 FUEL COST BASED ON NORMATIVE:**

**3.16.1** 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 2019 - 20 for its power station at Dishergarh is based on the following fuel consumption norms as decided in paragraph 3.11 above:

**Table No. 3.16**

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

**3.16.2** The Commission now determines the admissible fuel cost based on the weighted average cost of coal and GCV computed in para 3.10 above and the norms specified above. The admissible fuel cost comes to Rs 0 lakh as detailed in Annexure 2C.



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**3.17 PPC (POWER PURCHASE COST):**

**3.17.1** The actual quanta of power purchased by IPCL during 2019 - 2020 from Damodar Valley Corporation (DVC), West Bengal State Electricity Distribution Company Limited (WBSEDCL), West Bengal Green Energy Development Corporation Limited (WBGEDCL), Indian Energy Exchange (IEX), Short term purchase from APPCL and KEIPL through trader and Tata Power. IPCL has claimed total power purchase of 875.46 Mus including UI charges.

**3.17.2** IPCL has claimed total Power purchase of 875.46 MUS incurring cost of Rs 33844.70 Lakh excluding T & D Benefit on variable cost against approved Rs. 31834.28 Lakh in MYT order.

IPCL has claimed Rs 8155.63 Lakh against power purchased from M/s Tata Power. It is found from invoices of Tata Power that, IPCL has not deducted rebate amount from Power Purchase Bills. The actual amount from invoices after deducting rebate comes to Rs 8012.89 Lakh. Hence the commission has admitted Rs 8012.89 Lakh as power purchase cost from M/s Tata Power.

**3.17.3** The commission asked to provide details of PPA along with report for power purchased from Arunachal Pradesh Power Corporation and Kreate Power corporation Pvt Ltd vide letter No, WBERC/APR-103/22-23/4839 dated 29.2.24 IPCL has given the detail under affidavit vide letter no RA/II/002/24-25/01 dated 03.04.24.

**3.17.4** 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 and Kreate Power Corporation Limited . IPCL has attached a copy of MoU SPTPL and APPCPL , SPTPL and Kreate Power Trading Company Limited and Between IPCL and IPTPL.



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- 3.17.5** IPCL has purchased power through trader Saranyu Power Trading Pvt Ltd. on short term basis only.
- 3.17.6** Hence the power purchased against the banking arrangement is basically a procurement of short-term power from trader M/s Saranyu Power Trading Pvt Ltd who has banking arrangement with APPCPL and KEIPL. Hence power purchased and cost incurred through short term basis is admitted by the commission
- 3.17.7** The total energy purchased and cost incurred came to 815.21 MU and Rs. 31961.13 lakh respectively excluding UI as per the details given below:

**Table No. 3.17**

Sources	Quantum (MU)	Cost incurred (Rs. Lakh)
WBSEDCL	20.51	1178.64
DVC	82.16	3549.31
WBGEDCL	0.64	30.51
APPCPL Short term through trader	283.1	11240.07
KEIPL Short term through trader	87.314	3509.6
STOA- IEX, Bilateral / other sources	125.716	4440.11
Tata Power	215.77	8012.89
Total	815.21	31961.13

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

- 3.18.1** The allowable amount of fuel and power purchase cost, computed in terms of the Schedule 7A of the Tariff Regulations works out to Rs0 lakh+Rs.31961.13 lakh= Rs. 31961.13 lakh. The detailed computations are shown in Annexure – 2C.

**3.19 C<sub>D</sub>: COST DISALLOWABLE:**

Factor C<sub>D</sub>, 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<sub>D</sub> comes to nil as the quantum of actual purchase (E<sub>p</sub>) remained lesser



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than the quantum of admissible purchase ( $E_{Adm}$ ). The computations in this regard are shown hereunder:

Table No. 3.19

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	0
4	E	Excess/ (Savings) in the quanta of auxiliary energy consumption (vide note (1) below)	MU	0.00
5	$E_P$	Total energy purchased for distribution and supply to licensees	MU	875.46
6	$E_O$	Energy for own consumption	MU	2.55
7	$E_{SC}$	Sold to consumers	MU	845.14
8	$E_{SL}$	Sold to licensee	MU	0
9	$E_{Adm}$	Admissible purchase of energy	MU	894.66

Note 1:

Sl. No.	Particulars	Unit		Dishergarh
1	Actual Generation	MU	A	0.00
2	Rate of Normative Auxiliary Consumption	%	B	10%
3	Normative Auxiliary Consumption based on sent out energy	MU	$C=A/(1-10\%)$	0.00
4	Actual Auxiliary Consumption (Ref: Para 3.11)	MU	D	0
5	Normative auxiliary consumption	MU	$E=C-A$	0.00
6	Excess Auxiliary Consumption	MU	$F=D-E$	0.00

Note 2 Admissible quantum of purchase

$$\frac{E_{SC} + E_O}{(1-d \times 0.01)} + \frac{E_{SL}}{(1-T \times 0.01)} - E - E_g = \frac{845.14+2.55}{(1-5.25\%)} + 0 - 0 - 0 = 894.66$$

3.20 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



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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.

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

**3.21.1** 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. 31961.13 lakh with the break-up as given hereunder. The detailed computations in this regard are shown in Annexure – 2C.

**Table No. 3.21**

Sl. No.	Particulars / Factors	Rs. Lakh
1	FC: Fuel Cost	0.00
2	PPC: Power Purchase Cost	31961.13
3	C <sub>D</sub> : Cost disallowable	0
4	±A: Prior period adjustment	0
5	Allowable fuel and purchase cost = FC + (PPC - C <sub>D</sub> ) + (± A)	31961.13

**3.22 Benefits for savings in Distribution Loss:**

**3.22.1** The norm for distribution loss of IPCL for the year 2019-20 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 referred to in paragraph 3.14 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 19.20 MU. The value of such savings at the average cost of power at the distribution bus works out as under:



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Table No. 3.22

Particulars	Quantum (MU)	Cost (Rs. Lakh)
Sent out from Generation (Ref: para 3.12)	0	0.00
Admitted Power Purchase (Ref: para 3.17.7)	815.21	31961.13
<b>Total</b>	<b>815.21</b>	<b>31961.13</b>
Average Rate per Unit (Rs per unit)		3.92
<b>Savings in cost</b>	19.20	752.74
Particulars	Quantum (MU)	Cost (Rs. Lakh)
Savings shared with Consumers@ 25%	4.80	188.18
Savings for IPCL	14.40	564.56

3.22.2 The amount of Rs. 564.56 lakh is now being allowed.

3.23 Summing up the findings as stated above, the net amount of fuel and power purchase cost allowed to IPCL for the year 2019-20 comes as under:

Table No. 3.23

Particulars	Rs. Lakh
Fuel and Power Purchase Cost (as per FPPCA formula para 3.21.1)	31961.13
Additional amount on account of savings in the rate of Distribution loss net off consumer share	564.56
<b>Re-determined Fuel and Power Purchase Cost</b>	<b>32525.69</b>



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**ANNEXURE – 2A**  
**COMPUTATION OF UHV OF COAL BASED GENERATING STATION AS PER**  
**REGULATION 5.8.5 OF THE TARIFF REGULATION.**

NIL

**ANNEXURE – 2B**  
**ALLOWABLE FUEL COST**

Fuel Cost is NIL

**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 interplant transfer	%	5.25%
2	D	Norms of Distribution loss for sale to consumer	%	5.25%
3	E <sub>o</sub>	Energy for own consumption	MU	2.55
4	E <sub>sl</sub>	Energy sale to licensee and interplant transfer [refer table in paragraph .....]	MU	0
5	E <sub>sc</sub>	Energy sale to consumer	MU	845.14
6	Fuel Cost	Fuel cost for generation on normative parameter (refer Annexure 2-B)	Rs. in Lakh	0.00
7	FC <sub>iuc</sub>	Per unit Fuel Cost at distribution input for sale to consumers (refer para A note below)	Paise/kWh	0.00
8	FC <sub>Adm_d</sub>	Admissible Fuel Cost for sale to WBSEDCL and inter plant transfer (refer .....)	Rs. in Lakh	0
9	FC <sub>Adm_c</sub>	Admissible Fuel Cost for sale to consumer and for own consumption (refer .....)	Rs. in Lakh	0.00
10	FC	Admissible fuel cost [8 + 9]	Rs. in Lakh	0.00
11	PPC	Power Purchase Cost excluding net UI charges (Para .....)	Rs. in Lakh	31961.13
12	FC + PPC	Admissible Fuel and Power Purchase Cost [10 + 11]	Rs. in Lakh	31961.13





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NOTE:

A. Fuel Cost per Unit (kWh) at Distribution input		Units	Amount
(i)	Fuel Cost for sale to consumers	Rs. in Lakh	0.00
(ii)	Energy sent out from own generation for the consumer and licensee	MU	0
(iii)	Power Purchase	MU	815.21
(iv)	Net UI drawn	MU	60.25
(v)	Total energy available for sale [(ii) + (iii)]	MU	875.46
(vi)	$FC_{IUC} [(i)/(iv)]$	Paise/kWh	0.00

B. Admissible Fuel Cost for sale to Consumers and Licensee		Unit	Amount
(i)	$[(E_{sc} + E_o)/(1 - d*0.01)] * FC_{IUC} = FC_{Adm_c}$	Rs. in Lakh	0.00
(ii)	$[E_{SL} / (1 - t * 0.01)] * FC_{IUC} = FC_{Adm_d}$	Rs. in Lakh	0.00



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## CHAPTER – 4

### FIXED COST DETERMINATION UNDER APR

4.1 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 from review of ARR during APR. The Commission in its order dated 09.07.2021 in the tariff application of IPCL for the years 2019-20, 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.

4.2 IPCL in its Petition has submitted that, the annual accounts for FY 2019-20 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.

4.3 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 in any multiyear tariff application. Regulation 2.6.10 (ii) of Tariff Regulations specifies that the commission may allow certain 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



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to the price of that item at the time of determination of such element of ARR against application for determination of tariff.

**4.4 Parameters and formulas for fixed charge computation:**

In view of regulation 2.6.10 (v) of amended 2013 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 2019-20 as compared to . the year 2018-19 as shown in the Table 3.4-1 below:

**Table 4.4.1**

Particulars	Unit	Actual end of 2018-19	Actual end of 2019-20	Net increase	% increase
Distribution Line Length	CKM	986.91	1065.40	78.49	7.95
No of Consumers	Number	3122	4105	983	31.49

Though above table shows that, there is growth in distribution line length and number of consumers during FY 2019-20, the Commission as per the provision of above regulation has also compared the growth projected in Tariff Order 2019-20 and actual at the end of the 2019-20 in the Table 3.2-2 below. Further, the Commission finds the WPI and CPI for APR Order same as Tariff Order 2019-20.



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Table 4.4-2

Particular	Admitted in Tariff Order	Actual 2019-20	Increase / Decrease (-)
Distribution Line length – DLL (CKM)	951	1065.40	114.40
Consumer Strength – CS (Number)	3678	4105	427
DLL increase % for 2019-20 (compared MYT and actual)	951	1065.40	12.03%
CS Increase % for 2019-20 (compared MYT and actual)	3678	4105	11.61%
WPI in %	7.54%	7.54%	0%
CPI in %	1.67%	1.67%	0
Inflation in hybrid index [WPI: CPI (60:40)] %	4.02%	4.02%	0.0%

- 4.5 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.
- 4.6 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 2019-20. 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



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application and the attached Auditor's Certificates for the year ended 31st March 2020 is being taken up hereunder.

**4.7 Employee Cost:**

**4.7.1** In the Tariff order for 2019-20, IPCL was allowed a total amount of Rs 4417.32 lakh towards employee cost which included Employee cost for Generation business Rs 214.82 Lakh and Distribution business Rs 4202.50 Lakh. As against the amount allowed in Tariff order, IPCL has claimed Rs 4807.67 lakh in their APR application. The same was reflected in the Form 1.17(h) of APR application. However, as per Note 39 of Annual Accounts, the total employee cost is Rs.4768.97 Lakh. IPCL deducted director's expenses of Rs. 38.7 lakh from the employee cost in form 1.17 (h) to reconcile with annual account.

**4.7.2** The analysis of the employee cost is as shown below:

**Table 4.7-1**

Sr. No.	Head of expense	Allowed in Tariff order (Rs in Lakh)			Claimed in APR (Rs in Lakh)		
		Generation	Distribution	Total	Generation	Distribution	Total
1	Employee Cost (Own)				282.54	4355.71	4638.25
2	Staff training expenses				0	15.07	15.07
3	Salary & Wages of contracted manpower				0	110.65	110.65
4	VRS Compensation					5	5
5					0	0	0
6	Director's fee & remuneration				0	38.7	38.7
7	<b>Total</b>	<b>214.82</b>	<b>4202.5</b>	<b>4417.32</b>	<b>282.54</b>	<b>4525.13</b>	<b>4807.67</b>
					Employee Numbers		
	Own employee				27	515	542
	Contractual manpower				15	140	155

**4.7.3** IPCL has claimed Rs. 110.65 Lakh towards expenses of contractual manpower engaged in various jobs under regular establishment. Out of total amount of Rs. 0 lakh, are related to Dishergarh generating plant of IPCL and Rs.110.65 lakh is



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related to distribution expenses (including centrally maintained expenses). IPCL has claimed the entire amount as employee expenses.

**4.7.4** 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 contracted manpower engaged in regular establishment comes is computed as below:

**Table No. 4.7.2**

Sl No	Particulars	Man/MW ratio	Maximum permissible manpower	Own employee engaged	Contracted manpower engaged	Total manpower engaged	Contracted manpower cost (RS. Lakh)	
							Claimed	Admitted
1	Dishergarh 12 MW	3.50	42	27	15	42	0	0
2	Distribution business	-	-	-	-	-	110.65	110.65
	<b>Total</b>						<b>110.65</b>	<b>110.65</b>

**4.7.5** IPCL has claimed Rs15.07 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 expense of Rs 15.07 Lakh is 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.

**4.7.6** Accordingly, the commission admits Rs 4787.60 Lakh towards Employee cost in the APR for 2019-20 and allocates Rs 282.54Lakh for the generation and Rs 4505.06 Lakh for the distribution function. Summary of Admittance and allocation is given in the table 4.7.3 below.



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Table 4.7-3

Sr. No.	Head of expense	Claimed (in Rs. Lakh)			Admitted (Rs Lakh)		
		Generation	Distribution	Total	Generation	Distribution	Total
1	Employee Cost (own)	282.54	4355.71	4638.25	282.54	4355.71	4638.25
2	Salaries & wages of contractual manpower	0	110.65	110.65	0	110.65	110.65
3	Staff training expenses	0	15.07	15.07	0	0	0
4	VRS Compensation		5	5	0	0	0
5	Directors fee & remuneration	0	38.7	38.7	0	38.7	38.7
6	<b>Total</b>	<b>282.54</b>	<b>4525.13</b>	<b>4807.67</b>	<b>282.54</b>	<b>4505.06</b>	<b>4787.60</b>

#### 4.8 Water Charge:

4.8.1 In the MYT order of 6<sup>th</sup> control period, the Commission admitted Rs 0.75 Lakh as an expenditure on water charges for the year 2019-20. The Commission decided in the MYT order of 6<sup>th</sup> 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 .

4.8.2 IPCL, in their APR application, has not claimed any amount under water charges, which is also reflected Form 1.12 and Form E(b) of their APR application. Accordingly, the commission does not admit in APR 2019-20 under the head of water charges.

#### 4.9 Coal and Ash Handling Expenses:

4.9.1 In the MYT order of 6<sup>th</sup> control period, the Commission admitted Rs. 90.67 Lakh for the year 2019-20. The Commission decided in the MYT order of 6<sup>th</sup> control period to consider admission of the Coal and Ash Handling charges after prorating the



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same with normative generation for respective ensuing years and considering escalation following CPI Inflation for respective years 2018-19 and 2019-20

**4.9.2** IPCL has claimed Rs. Nil under the head of coal and ash handling charges, which are also supported by Note 42 of Annual Accounts and Form 1.12 and Form E(b) of APR application. Actual generation during 2019-20 was 0 MU as against approved generation of 84.10 MU. And generation 0 MU hence commission approves 0 for coal and ash handling charge function.

**Table No. 4.9**

Sr. No.	Particular	Amount
1	Admitted amount (Rs lakh)	0
2	Target generation (MU)	0.00
3	Coal and Ash handling charge/unit generated (Rs lakh/MU) (3=1/2)	0
4	Actual generation (MU)	0.00
5	Expenses proportionate to actual generation (Rs lakh) (3*4)	0
6	Admitted in APR order 2019-20	0

**4.10 O&M Expenses for Generation:**

**4.10.1** O&M expenses of generation for Rs. 96.72 lakh was 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.

**4.10.2** IPCL has claimed an amount of Rs. 97.63 Lakh under the head of O&M expenses for generation including Rs 40 Lakh common expense apportioned for generation. Form 1.12 also mentions a total of Rs. 97.63 Lakh for O&M for generation. The





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O&M expenses for generation for 2019-20 will be determined as per norms specified in para 4.8.1 Table 4.4 of Tariff order 2019-20.

**4.10.3** 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 2019-20.

**Table: 4.10**

**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		365	96.72

**4.10.4** O&M expenses for Generation are a controllable expenditure using operating norms. the Commission admits Rs 96.72 lakh in the APR for 2019-20 under the Generation function.

**4.11 Repair and Maintenance (R&M) for Distribution.**

**4.11.1** In the MYT order IPCL was allowed Rs 403.85 Lakh for 2019-20 towards R&M for distribution. However, IPCL has claimed an amount of Rs 691.03 Lakh under the head of R&M for distribution. As per form 1.15 IPCL has claimed Rs 632.70 Lakh as R & M expense and Rs 97.97 as consumption of stores and spares for distribution . As per note 42 of the Annual account, the consumption of stores and spare parts are shown as Rs. 171.65 lakh and total repair charges are Rs 606.65 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 The Commission also notes that, though the amount towards R&M in Audited accounts is higher than the amount approved in Tariff Order 2019-20, the distribution line length has increased by 12.03% compared to MYT



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projection as shown in paragraph 3.4. Since R&M expenses is a controllable item, the Commission allows escalation of R & M expense as per increase in Distribution line length and admitted amount under the head of R&M expenses to Rs 452.43 (1.1203\* 403.85) lakh as per the Tariff Order.

**4.12 Administrative and General (A&G) Expenses for Distribution**

**4.12.1** Administrative & General (A&G) expenses comprise of audit expenses, legal and professional expenses, rent and other administrative and general expenses. A total amount of Rs. 866.23 lakh was allowed to IPCL in ARR in this regard for the year 2019-20.

Table No. 4.12.1

Sr. No.	Expense Item	Allowed in MYT ( in Rs. Lakh)*
1	Audit Expense	9.98
2	Legal and consultancy Charges	186.66
3	Rent, Rates and Taxes	66.55
4	Other A & G Expense	603.04
5	Total	866.23

**4.12.2** IPCL has claimed Rs 1489.35 Lakh as Administrative & General (A&G) Expenses in APR application. However, from note 42 of the Annual Accounts of IPCL total A&G expenses arrives as Rs. 1487.54 lakh.



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Table No. 4.12.2

Sr. No.	Expense Item	Claimed in APR	Note 42 of Annual Account (Distribution Function)
		Rs. Lakh	
1	Audit Expense	35.16	35.16
2	Legal and consultancy Charges	469.52	469.52
3	Rent,	65.48	10.22
4	Rates and Taxes		55.26*
5	WBERC licensing and filing fees	8.25	917.38**
6	Other A & G Expense	910.94	
7	Total	1489.35	1487.54

\* Out of Rs. 55.48 lakh, Rs. 55.26 lakh is for distribution function as per the details available from auditor's certificate.

\*\* Out of Rs. 927.74 lakh, Rs. 917.38 lakh is for distribution function as per auditor's certificate in Annexure-II

**4.12.3** From the auditor's certificate submitted with the APR petition (Annexure-3) it is observed that, the miscellaneous expense of Rs. 917.38 lakh includes an amount of Rs. 8.25 lakh for licensing & filing fees. Thus, the actual expense in this head comes to Rs. 909.13 lakh (917.38 – 8.25) against the claimed amount of Rs. 910.94 lakh. Further, in line with discussion in paragraph 4.7 above, the staff training expenses of Rs. 15.07 lakh is required to be part of 'other A&G expense'. The Commission also observes that an amount of Rs. 106.07 lakh related to bank charge has been claimed by the petitioner under finance charge, which being related to day to day business expense shall come under 'other A&G expenses'. Thus, the actual expense under the head 'other A&G expense' comes to Rs. 1030.27 lakh (= Rs. 909.13 + Rs. 15.07 + Rs. 106.07 lakh). The 'licensing & filing fees' and 'rates and taxes' being uncontrollable element, the Commission decides to deal it separately. Accordingly, the actual expenses under Administrative & General (A&G) head shall be revised as below:



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Table 4.12.3

Sr. No.	Expense Item	Actual A&G expense ( in Rs. .Lakh)
1	Audit Expense	35.16
2	Legal and consultancy Charges	469.52
3	Rent	10.22
4	Other A & G Expense (incl staff training & bank charges)	1030.27
5	Total	1545.17

**4.12.4** As per MYT Order of 2019-20, the amount admitted under the head of Audit Fees is Rs. 9.98 Lakh. However, IPCL has claimed Rs.35.16 Lakh for the same in their APR application, which has also been corroborated with Annexure A of Auditor's Certificate (Annexure 3) of APR application., The Commission admits Rs. 11.18( $1.1203 \times 9.98$ ) Lakh considering 12.03% increase in distribution line length compared to MYT order under the head of Audit Expenses considering these charges as controllable.

**4.12.5** As per MYT Order of 2019-20, a total of Rs. 186.66 Lakh were admitted under the head of "Legal and Professional Charges". However, IPCL has claimed an amount of Rs. 469.52 lakh. The summation of legal charges and consultancy charges, mentioned in Auditor's Certificate (Annexure 3) of APR applications gives 469.52 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 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 The Commission noted that Consumer strength have been increased by 11.61% compared to MYT projection, the commission admits Rs 208.33 ( $1.1161 \times 186.66$ ) Lakh under the head of legal and professional charges in line with Tariff Order considering these charges as controllable.



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**4.12.6** Under the head of other A&G expenses, the amount admitted in Tariff Order 2019-20 is Rs. 603.04 Lakh, whereas IPCL has claimed Rs.910.94 Lakh in APR petition. However, the actual amount as per Auditor's Certificate (Annexure 2) of APR application, excluding the license & filing fees comes to Rs. 909.13 lakh. Further after considering the employee training expense and banking charge as discussed in paragraph 3.1.3 above it comes to Rs. 1030.27 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 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. The Commission noted that consumer strength have been increased @ 11.61% compared to MYT projection, so commission has admitted 673.05 (1.1161\* 603.04) Lakh. Since A&G is a controllable item as per the second amendment of Tariff Regulations 2011, the Commission admits a total of Rs. 673.05 Lakh as other A & G expenses.

**4.12.7** Further, from the consolidated amount of Rs 65.48 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 Rent is to be considered as a separate expense head in ARR. Thus, the Rent of Rs 10.22 Lakh, as discernible from Note 42 of audited accounts is included in claim under A&G.

**4.12.8** 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 8.25 lakh which is allowed separately.

**4.12.9** As per the provisions of the Tariff Regulations, A&G expenses for distribution function are considered as controllable and allowed up to the actual business volume growth. Accordingly, as discussed in the above paragraphs, the Commission admits total A&G Expenses of Distribution function as shown in Table 4.12.4 and total O & M Expenses for distribution as shown in Table 4.12.5 below.



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**Table 4.12.4**  
**Admitted Amount for A&G Expenses in Distribution**

Sr. No.	Expense Item	Amount Admitted in MYT Order in Rs. Lakh	Recomputed Amount Claimed in APR in Rs Lakh	Amount approved in APR in Rs Lakh
1	Audit Expense	9.98	35.16	11.18
2	Legal and professional	186.66	469.52	208.33
3	Other A&G Distribution	603.04	1030.27	673.05
4	Rent, Rates and Taxes	66.55	10.22(Rent Only)	10.22( Rent only)
5	<b>Total A&amp;G</b>	<b>866.23</b>	<b>1545.17</b>	<b>902.78</b>

**Table 4.12.5**  
**Total admitted O & M expenses for Distribution**

Sr. No.	Expense Item	Admitted in MYT in Rs. Lakh	Claimed in Petition (Recomputed) in Rs. Lakh	Approved in APR in Rs. Lakh
1	R & M	403.85	691.03	452.43
2	Total A & G Expense	866.23	1545.17	902.78
3	Total O & M	1270.08	2236.20	1355.22

**4.13 Insurance:**

**4.13.1** The Commission in its Tariff order for 2019-20, has admitted insurance premium as Rs 39.49 Lakh. (7.26 Lakh for generation and Rs 32.23 Lakh for Distribution function). However, IPCL has claimed an amount of Rs 107.1 lakh (Rs. 3.40 Lakh for motor insurance and Rs. 92.8 for fire insurance and Rs. 10.9 lakh for miscellaneous). Rs 98.9 lakh for distribution function and Rs 8.20 lakh under generation function. . IPCL has confirmed that they have undergone a process of selection of insurance provider while considering the framework as per provisions



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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. The Commission notes that, same amount is mentioned in note 42 of audited account submitted by IPCL.

**4.13.2** The commission asked to provide copy of policies of insurance taken and process of bidding for the same vide letter no. WBERC/APR-103/22-23/4831 dated 29.2.24. IPCL has replied that Insurance policies are in continuation of existing polices. The selection of insurance providers was based on transparent process of inviting quotation and selection among them through evaluation and internal approval in line with compliance requirement under applicable regulations. They have provided copy of note for approval of payment of insurance premium for asset as a part of procedure.

**4.13.3** As per the amended of MYT Regulations 2013, insurance is considered as an uncontrollable factor. Hence, the Commission admits expenses of Rs 101.7 lakh. Rs 8.20 lakh under generation function and Rs 98.9 lakh under distribution function in APR of 2019-20 as proposed by IPCL in form 1.17(f) APR Petition statement of "Details of Insurance paid" and under Note 42 of audited accounts.

### **4.14 Rates & Taxes**

**4.14.1** As per MYT order for 2019-20 rent ,rates and taxes approved were Rs 82.97 Lakh out of which 66.65 Lakh for distribution function. IPCL in its application claimed an amount of Rs 65.7 Lakh with a breakup of Rs 0.22 lakh for generation function and Rs 65.48 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



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on to tariff. As the Commission performs a prudence check and inefficiencies are not allowed as a pass-through.

**4.14.2** Pages 4 of the Auditor's Certificate (Annexure 2) of APR application indicate the total rent and rates and taxes payable as Rs. 10.22 Lakh and Rs. 55.48 Lakh respectively, totaling Rs 65.7 Lakh. Note 42 of Annual Audited Accounts indicates the rates and taxes to be paid as Rs. 65.7 Lakh. As per 2<sup>nd</sup> amendment of Tariff Regulations 2011, "Rate and Taxes" are considered an uncontrollable factor. The Commission notes that IPCL has included expenses of Rs 10.22 lakh towards rent in the rates and taxes, which the Commission has already considered under A&G expenses as discussed in paragraph 3.12.6 above. Accordingly, the Commission admits Rs 55.48 lakh (Rs 65.7 lakh- Rs 10.22 Lakh) towards "Rates and Taxes". The break up for generation and distribution function is Rs 0.22 is Rs 55.26 Lakh respectively.

**4.15 Depreciation.**

**4.15.1** The Commission has admitted total depreciation Rs 1325.21 lakh in the Tariff Order for the year 2019-20 for 12 MW unit (New) of DPS. IPCL has claimed Rs 1723.01 Lakh towards depreciation in its APR application and provided a breakup of the depreciation in Form B of the Petition.

**4.15.2** The Commission notes that, the depreciation amount in Note No 41 of Audited account of IPCL is shown as Rs 2332.81 lakh whereas Form B shows 2336.38 Lakh. IPCL in his petition stated that the mismatch is due to IndAS adjustment. IPCL has provided a reconciliation of depreciation claimed in APR. IPCL has reduced the depreciation of Rs 43.23 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, 558.92 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 1723.01 Lakh.

**4.15.3** 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 2108-19, depreciation for





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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 inform 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 2018-19 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. 320.32 lakh by IPCL in APR Petition.

**4.15.4** 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).

**4.15.5** 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. 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).

**4.15.6** In para76 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. 43.23 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. 558.92 Lakh and depreciation for Flats at Haldia of Rs. 11.22 Lakh. The same has also been



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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 for the total depreciation on assets.

**4.15.7** Hence, the net admissible depreciation comes out to be Rs. 1399.27 Lakh, as against the claim of Rs. 1723.01 Lakh by IPCL. Hence, the Commission admits an amount of Rs. 1399.27 under the head of depreciation. Summarising above, the allowable depreciation for 2019-20 is as follows:

**Table 4.15.1**

Sl	Particulars	Admitted in Tariff Order (Rs. Lakh)	Amount claim in APR application (Rs. Lakh)
			2336.38
1	Depreciation expenses Form B		
2	Less: depreciation on		
A	Additional 3 floors of Kolkata office (Form B)	43.23	
B	Leasehold land at corps (Form B)	558.92	
C	Generation Assets Disallowed for DPS 12 MW (para 4.15.3 above) (320.39.-252.60)	67.72	
D	JK Nagar Substation (4.15.5)	256.02	
E	Flat at Haldia	11.22	
3	subtotal A to E		937.11
4	Depreciation allowable (SI 1 - SI 3)		1399.27

**4.15.8** Thus Rs. 1399.27 lakh has been admitted towards depreciation for 2019-20 with function-wise allocation as under:

**Table 4.15.2**

Particulars	Generation in Rs. Lakh	Distribution in Rs. Lakh	Total in Rs. Lakh
Depreciation as per APR application (Form B)	320.32	1402.69	1723.01
Depreciation admitted	252.60	1146.67	1399.27

### 4.16 Interest on Borrowed Capital



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The Commission in the MYT order allowed Rs 786.78 Lakh for 2019-20 towards Interest on actual capital borrowing, out of which Rs. 184.34 lakh was allocated for Generation function and Rs 602.44 Lakh was for distribution function. The interest allowed on total borrowing was Rs 1801.78 Lakh. IPCL in its APR application in form E(B) claimed Rs 2019.31 Lakh as interest on borrowed capital. The interest calculation as per Form C is as below.

Table: 4.16.1

Sources of loan	Loan Amount in RS Lakh	Interest Rate in %	Interest in Rs. Lakh
IDBI Bank - Term Loan	4000	12.55	171.07
South Indian Bank Ltd. - Term Loan	7000	10.90	560.91
Ratanakar Bank - Term Loan -II	5000	10.85	204.62
Corporation Bank Term Loan	6500	10.90	62.88
100 CRORE NCD	10000	10.75	342.23
20 CRORE NCD (LIC)	2000	12.00	166.49
Total			1508.2

4.16.1 The Form E(B) and Auditor's Certificate (Annexure 2) of APR Application mentions a total of Rs. 2019.31 lakh as interest on capital loans.

4.16.2 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 560.91 lakh is admitted against J.K Nagar sub-station.

4.16.3 As mentioned in Form 1.9(B), the asset value of the 12 MW generating station is Rs. 9372.68 Lakh, whereas the project cost approved during 2<sup>nd</sup> 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.



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Therefore, the Commission allows Rs. 171.07 Lakh as interest expense for the 12 MW plant.

**4.16.4** IPCL has drawn a loan for a sum of Rs 932 lakhs in year 2015-16 against original sanction of Rs 6500 Lakh for part financing the Capital expenditure for LT network from Corporation Bank. IPCL in all of its previous APR petitions mentioned that such loan was used for part financing of capex for LT network without specifically mentioning whether the full loan has been utilized for capex. As per Form C it was also observed that IPCL has drawn term loan for maintenance of capex and working capital from other banks. IPCL could not establish use of such loan fully for capex purpose. Accordingly, Commission didn't allow servicing of such loan in respective APRs. In 2019-20, there is no fresh drawal of such loan from Corporation Bank. Hence the commission doesn't allow interest of Rs 62.88 lakh.

**4.16.5** 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. 560.91Lakh + Rs. 171.07 Lakh= Rs. 731.98 Lakh.

**4.16.6** 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. Hence, the Commission does not admit the corresponding interests of Rs.204.62 Lakh and Rs.342.23 lakh, and Rs.166.49 Lakh on non-convertible debentures.

**4.16.7** Hence, the Commission admits a total amount of Rs. 731.98 Lakh as interest on capital loans with a corresponding weighted average interest rate of 11.29% The Commission has also computed the Gross Fixed Assets as per the annual accounts



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as shown below without considering revaluation of land asset as it is just an accounting adjustment.

**Table 4.16-2**

Particulars	2018-19	2019-20	Data source
Gross Block of fixed asset as per Form B	47509.22	48544.64	From Petition without revaluation of land asset
<b>Less: Asset disallowed</b>			
Additional 3 floors at Salt Lake building	-1865.69	-1865.69	From Petition without revaluation of land asset
Leasehold land at Salt Lake	-1324.55	-1324.55	From Petition without revaluation of land asset.
Flats at haldia	-724.3	-724.3	Form B
Leasehold land at Raghunathpur	0	0	Form 1.18 and Form B 2019-20
Capitalisation in excess of approval at DPS	-2320.83	-2718.68	From 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	37692.11	38329.68	
Less: consumer contribution & Adv.	2779.1	3141.72	From 1.18 vol1
Net Cost of fixed assets	34913.01	35187.96	
		274.95	Net fixed asset of 2019-20-net fixed asset 2018-19

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 4.16.3**

Sl	Normative debt	Derivation	Amount (Rs lakh)
1	Opening Gross Normative Debt	CB 2019-20	13403.87
2	Less: Cum Repayment upto the previous year	CB 2019-20	5499.64
3	Opening Net Normative Debt	3 = 1 – 2	7904.23
4	Actual addition to debt during the year	Form C	0
5	Addition to Fixed asset during the year	Table 3.14-2	274.95
6	Normative addition to debt @ 70% of fixed asset addition	6 = 5 X 70%	192.46
7	Addition to debt to be considered for APR	Higher of 5 & 6	192.46
8	Additional Gross Normative debt for the year	8 = 7 – 4	192.46
9	Repayment of normative debt during the year	10% of (3+8)	809.67
10	Net additional gross normative debt during the year	10 = 8 – 9	-617.20
11	Closing balance of net normative debt	11 = 3 + 10	7287.03



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12	Average balance of net normative debt	$12 = (3+11) / 2$	7595.63
13	Weighted average rate of interest	Form C	11.17%
14	<b>Allowable interest on normative debt</b>	$14 = 12 \times 13$	<b>848.43</b>
15	Closing balance of gross normative debt	$15 = 1 + 8$	13596.34
16	Cumulative repayment of normative debt upto the year	$16 = 2 + 9$	6309.31

**4.16.8** 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. The interest on 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.8,973.68 Lakh and for distribution, it has been computed as Rs. 32514.68 Lakh (Rs. 41488.36 Lakh – Rs. 8,973.68 Lakh). The function-wise admitted amount towards interest on borrowed capital and normative debt of IPCL for 2019-20 is as follows.

**Table 4.16.4**

**Interest Payable for IPCL in 2019-20**

Particulars	Generation Rs. Lakh	Distribution Rs. Lakh	Total Rs. Lakh
Admissible Asset as per form 1.18	8973.68	32514.68	41488.36
Normative debt	183.51	664.92	848.43
Borrowed capital interest	171.07	560.91	731.98
<b>Total</b>	<b>354.58</b>	<b>1225.83</b>	<b>1580.41</b>

**4.17 Other Finance Charges**

**4.17.1** IPCL has claimed an amount of Rs. 137.14 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. 137.14 lakh, 30.66 bank guarantee charges, 105.07 Bank Charges, 0.41 Lakh term loan overview charges.

**4.17.2** The Commission has already admitted the bank charges of Rs 106.07 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 106.07 lakh under Other



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Finance charges. IPCL has claimed Rs. 30.66 lakh as bank guarantee commission and 0.41 Lakh as term loan overview charge IPCL has not claimed any fresh Loan for the year 2019-20 hence Commission does not consider Bank guarantee commission and term loan over view charges . Accordingly, the commission allows Nil as Other finance charges.

**Table 4.17.2**

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

**4.18 Advance against Depreciation / Interest Credit.**

**4.18.1** 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.. 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 Advance against depreciation / interest credit as below:

**Table 4.18.1**

Sr. No	Particular	Amount in Rs Lakh
1	Depreciation admitted	1399.27
2	Repayment as per form C	1170.00
3	Excess depreciation (1-2)	229.27
4	Excess depreciation Over loan repayment in up to 31.03.2019	3,391.46
5	Cumulative excess depreciation available (3+4)	3,620.73
6	Rate of interest	11.29%
7	Interest credit	408.84

**4.18.2** The cumulative depreciation over allowable repayment of the loan upto 31.03.2020 is calculated as below.



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Table 4.18.2

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
2019-20	1146.67	252.6	1399.27	1170.00	229.27
<b>Total</b>			<b>10168.33</b>	<b>6547.60</b>	<b>3620.73</b>

4.18.3 Thus, Rs 408.84 lakh has been admitted under head Interest credit against depreciation for year 2019-20, out of which 88.43 Lakh for generation function and 320.41 Lakh for distribution function are allotted as per allowable GFA as below.

Table 4.18.3

ITEM	GEN in Rs. Lakh	DIST in Rs. Lakh	TOTAL in Rs Lakh
GFA	8973.68	32,514.68	41,488.36
INT CREDIT	88.43	320.41	408.84

4.19 Reserve for unforeseen exigencies





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**4.19.1** In the MYT order of 2019-20, 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.

**4.19.2** 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 are Rs. 266.15 Lakh and Rs 260.63 Lakh respectively at the end of 2019-20. 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 2019-20

### **4.20 Bad Debt**

**4.20.1** IPCL has claimed Rs. 14.41 Lakh under this head in APR 2019-20. In the tariff order 2019-20, provision for bad debts was not considered. As per para 89 of APR petition Rs 14.41 Lakh are provision for bad debt . The same is reflected in Note no. 42 of annual account. IPCL has submitted an additional detail on date 22.4.24 and informed that "Allowance for bad and doubtful debts (net) in Note no. 42 is actually written off "but was not able to justify the same. Hence commission does not allow any amount against Bad debt.

### **4.21 Interest on Consumers' Security Deposit:**

**4.21.1** In Form E(B), IPCL has claimed Rs 178.33 lakh under the head Interest on Consumers' Security Deposit for the year 2019-20 under distribution function against the admitted expenditure of Rs 162.43 Lakh in MYT. The Total interest claimed as per Form C in APR application is Rs 178.33 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 178.33 lakh.



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**4.21.2** The Commission thus admits Rs 178.33 lakh towards interest on consumer security deposit for the year 2019-20 and allocates the whole amount to distribution function. The second amendment of Tariff Regulations 2011 classifies interest rates as uncontrollable.

**4.22 Income Tax**

**4.22.1** The Tariff Order of 2019-20 admits an amount of Rs. 365.15 Lakh. IPCL has claimed an amount of Rs. 839.23 lakh in their application and in Form E (B) of the APR application towards income tax, Rs 198.07 lakh under generation and Rs. 641.16 lakh under distribution function.

**4.22.2** IPCL has submitted an Income Tax Acknowledgment Form as a part of Auditor certificate in Annexure 2 of APR application.

**4.22.3** The commission asked IPCL vide letter no. WBERC/APR-103/22-23/4839 dated 29.2.24 to provide assessment order of Income tax department or income tax acknowledgment with auditor certificate. IPCL in reply no. RA/II/002/24-25/01 Dated 3.4.24 submitted that tax assessment order is yet to achieve finally and prayed to consider figure from Note No. 44 certified by statutory auditor in divisional account for 2019-20.

**4.22.4** Since the tax on income is uncontrollable, the Commission admits the value of Rs. 839.23 Lakh as the taxes on income based on audited account.

**4.22.5** IPCL is directed to submit Income Tax assessment certificates for all previous years up to 2019-20 from Income tax department as soon as the same is received by IPCL.

**4.23 Return on equity (ROE):**

**4.23.1** 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.1768.15 lakh towards return



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on equity in APR for 2019-20 against an admitted amount of Rs 2089.89 lakh in MYT order for 2019-20 In para 4.14.4 of the MYT order, the Commission directed IPCL to allocate its equity base to its generating stations and distribution system based on its utilization of the same in acquiring fixed asset and submit the same with application for APR for the corresponding years for necessary adjustment.

**4.23.2** In the APR orders 2012-12 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.

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

**Table 4.23.1**

Particulars	31.03.2019 (Rs. Lakh)	31.03.2020 (Rs. Lakh)	)	Reference
		A	B	
Share Capital	9737.9	9737.9	Note 4	Note 4 DPSC account
Surplus	-10502	-7604.02	Note 5	Note 5 DPSC account
Gen reserve	436.69	436.69	Note 5	Note 5 DPSC account
Total	-10065.31	-6836.43		
Addition		3665.37		

**4.23.4** 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 is



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furnished the effect of such withheld project cost is not being considered in admitting ROE for the year 2019-20.

**4.23.5** As evident from above table 4.23.1 IPCL has accumulated loss of Rs 6836.43 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 ROE, out of Which Rs 1996.20 is considered for DPS 12 MW Plant. The balance Rs 7741.70 Lakh is considered for distribution function. Based on above facts ROE for the year 2019-20 is calculated as below.

**Table 4.23.2**

SI 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
4	Rate of return in %	15.50%	16.50%	
5	Allowable return	309.41	1277.38	1,586.79

**4.23.6** On account of ROE for 2019-20 Rs 1589.79 lakh is admitted with following functional allocation.

**Table 4.23.3**

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

**4.24 Interest on Working Capital**

**4.24.1** The amount of Rs. 170.11 lakh on this head was considered in the tariff order for 2019-20. IPCL has claimed Rs 162.59 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 11.65%.



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4.24.2 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:

Table: 4.24.1

INTEREST COMPUTATION OF WORKING CAPITAL LOAN

Source	Rate of Interest	Loan (Rs. Lakh)	Interest Amount (Rs. Lakh)
IDBI Bank - Cash Credit	12.25%	2500	306.25
South Indian Bank Ltd. - Cash Credit	11.45%	5500	629.75
Axis Bank Cash Credit	12.20%	2700	329.4
Ratnakar Bank Cash Credit	11.55%	4000	462
Weighted Average interest rate	11.75%	14700	1727.4

4.24.3 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 2019-20. The MCLR of SBI as on 01.04.2019 of 8.55 +3.5 the MCLR of SBI interest rate is used for calculation 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 4.24.2

Interest on Working Capital

Sl	Particulars	Actual Values Rs Lakh
1	Total admitted variable cost and Fixed cost excluding interest on Working Capital	43390.35
2	Less: Depreciation	1399.27
3	Less: Advance against depreciation	0.00
4	Less: Return on Equity	1586.79
5	Less: Bad and Doubtful Debts	0.00
A	Total deductions (Sum of 2 to 5)	2986.06
6	Allowable Gross Sales for Working Capital (1-A)	40404.29
7	Allowable Working Capital @10% on SI No (6)	4040.43
8	Security deposit from consumer as on 31.03.2020 (Vol II Annexure 3 )	3068.39
9	Balance requirement of working capital (7-8)	972.04
10	Interest at State Bank MCLR rate or at actual rate %	12.05%
11	Interest on balance requirement of Working Capital (SI No 10)	117.13
12	Actual Interest for working capital Claimed	170.54
13	<b>Interest on Working Capital Admitted (lower of 11 &amp; 12)</b>	117.13

4.24.4 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. 117.13 Lakh as working capital interest in APR 2019-20 of IPCL and allocated between generation and distribution function on the basis of Net ARR as shown in the Table below:



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Table 4.24.3

Working Capital Interest for Generation and Distribution Function-Rs Lakh				
SI	Particulars	Generation	Distribution	Total
1	Fixed Charge & Fuel Cost /Power Purchase Cost excluding interest on Working Capital	1537.16	41853.19	43390.35
2	Working Capital Interest admitted	4.15	112.98	117.13

**4.25 Unscheduled interchange (UI/DSM) Charges:**

The Commission observed that IPCL has claimed an amount of Rs.1740.83 Lakh for a drawal of 60.25 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 2019-20 is 5.44 % of its total power purchase cost during the year. Hence, the net UI charge of Rs1598.06 lakh (5% of Total Power purchase cost) is admitted under the distribution function.

**4.26 Income from Other Sources / Non-Tariff Income**

The income from other operating revenues as per Form 1.26 submitted by IPCL is Rs.131.37 Lakh under the head other non-tariff income and Rs 11.05 Lakh under the head other miscellaneous income against the total admitted amount of Rs. 420.36 Lakh in MYT Order. In Note No. 34.2 of annual accounts, IPCL has shown total Rs 302.82 Lakh as income from other operating revenue out of which Rs 171.45 lakh is under the head Liabilities no longer required written back and 131.37 lakh as other non-tariff income. The amount of Rs. 1806.95 lakh booked in Note 35 under the head other income. From note 35.1 of the accounts for DPS Division, it is also observed that an amount of Rs. 49.90 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



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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. The commission excludes Rs 6.73 Lakh against rent received . The commission also excludes Rs 11.06 Lakh income due to 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, the balance Rs. 1739.26 Lakh (Rs. 1806.95 –49.90 – 6.73-11.06 lakh) is being considered under non-Tariff income.

IPCL has shown Rs 171.45 Lakh as liability no longer required written back in audited annual account. IPCL has provided the details along with justification of Liabilities no longer required written back with affidavit on date 22.4.24. It is observed that the amount related to Liability for expance Rs 0.57 Lakh and Creditors not payable-revenue Rs 0.33 Lakh are actual income to IPLC, Hence Rs 0.9 Lakh is also considered under income under other sources. Accordingly, the total admitted income from other / non-tariff sources is Rs. 1871.53 Lakh (Rs. 131.37 Lakh+ Rs. 1739.26 Lakh+0.9 Lakh) as per table below

**Table 4.26 Income from other sources/ Non-tariff Income**

Particular	Amount in Rs Lakh
The other Income from Account Note No. 35	1806.95
Less :Rent	6.73
Less: Interest Income from Unforeseen Exigencies 35.1	49.9
Less: Gain on fair valuation of Mutual fund	11.06
	1739.26
Add: Other Misc Income 34.2 except liabilities no longer required written back	131.37
Add Income considered from Liabilities no longer required written back written Back	0.9
	1871.53

In absence of any further detail available from the submissions made by IPCL, ,such amount of Rs. 1871.53 Lakh are distributed among the distribution function and





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generation function in proportion to the Gross ARR with functional segregation of Rs 1809.80 lakh for distribution and 61.73 lakh for generation function.

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.

### 4.27 Admissibility of Capacity Charges based on Availability

**4.27.1** 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.

**4.27.2** Considering the facts that during the year 2019-20 only the DPS 12 MW plant was in operation, the PAF during 2019-20 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 2019-20 was 0%. The Commission now decides to deduct capacity charges to the extent of the shortfall in PAF achieved by IPCL during 2019-20.

**4.27.3** 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 .

**4.27.4** IPCL in Paragraph 24 has stated that against the target PAF 85% ,IPCL could not generate power or achieve any PAF primarily on account of non-availability of coal of required quality and quantum through e auction /purchase of washery rejects, which is a condition beyond control of petitioner. Further import of coal neither feasible nor economical given the size of requirement and other factors. IPCL prayed the commission that in case of 12 MW DPS (new) such zero PAF due to coal shortage may be ignored for capacity charge disallowance.



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**4.27.5** As per Tariff Regulation 5.25.1, where for a generating station, fixed cost recovery is done on the basis of availability, then in case any asset of such generating station or licensee or generating company remains inoperative for more than three months due to breakdown or force majeure events resulting in less availability compared to respective normative target of availability for that generating station then short fall of full capacity charge will be allowed to be recovered partially. In this case, the generating station remained operative due to non-availability of coal. Such fact of non-availability of coal does not fall under any of the conditions of breakdown or force majeure. Hence capacity charge for 12 MW DPS (new) is disallowed in full following methodology prescribed in tariff regulation 6.11.4

**Table 4.27**

Sl No	Particulars	Amount Rs Lakh
1	Allowable Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc.	1356.33
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)	0
5	Net fixed charges for disallowance : (1)-(2)-(3)-(4)	1356.33
6	Normative PAF as per Tariff Regulation	85%
7	PAF Achieved (Form 1.1 page 101 of Volume-1)	0.00
8	Amount of Capacity Charges deductible for shortfall in PAF (considering provision under regulation 6.11.4 (i) of the Tariff Regulation)	1356.33
9	Amount of capacity charges deductible for shortfall in PAF (5)-(8)	1356.33

**4.27.6** The amount of deductible capacity charge of Rs. 1356.33 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 2019-20.

**4.28 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



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fixed charges after adjustment of other income less withheld amounts for IPCL for the year 2019-20 comes to Rs 10072.89 lakh. of which Rs 0 lakh pertains to Generation and Rs 10072.89 lakh pertains to Distribution Function as table below.

**Table 4.28 Fixed Charge Admitted**

Fixed Charge Admitted	Generation in Rs Lakh	Distribution in Rs Lakh	Total Fixed Cost in Rs Lakh
	0.00	10072.89	10072.89

**4.29 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 42034.02 Lakh, the admissible incentives in terms of Tariff Regulation works out to Rs.  $42034.02 \times (99.78 - 98.00) / 98.00 = \text{Rs. } 763.48 \text{ Lakh}$ .



Order on FPPCA and APR of IPCL for the year 2019-20

ANNEXURE 3A

Particular	Inflation %			Business Volume	
	CPI	WPI	Combined (40:60)	Line length in (CKM)	Consumer Number
Consider for 2019-20 during MYT projection of 4th Control period	7.54	1.67	4.02	951	3678
Actual in 2019-20	7.54	1.67	4.02	1065.40	4105
		0.00	0.00	12.03%	11.61%

Particulars	APR Order
WPI	1.67
CPI	7.54
WPI: CPI (60:40)	4.02

Monthly Rate of Inflation in CPI number for Industrial Workers ( Source : Labour Bureau, GOI )

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2018-19	288	289	291	301	301	301	302	302	301	307	307	309
2019-20	312	314	316	319	320	322	325	328	330	330	328	326

Monthly Rate of Inflation computed based on CPI number for Industrial workers

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2019-20	8.33	8.65	8.59	5.98	6.31	6.98	7.62	8.61	9.63	7.49	6.84	5.50	7.54

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

Year	Yearly Inflation
2018-19	119.8
2019-20	121.8
WPI	1.67



Order on FPPCA and APR of IPCL for the year 2019-20

ANNEXURE 3B

SUMMARY OF FIXED COST

Sl No	Particulars	2019-20 APR Application (Rs Lakh)			2019-20 APR Admitted (Rs Lakh)		
		Generation	Distribution	Total	Generation	Distribution	Total
1	Coal and Ash Handling Charge	0		0	0	0	0
2	Employee Cost	282.54	4525.13	4807.67	282.54	4505.06	4787.60
3	Rates and Taxes	0.22	65.48	65.7	0.22	55.26	55.48
4	O&M Charges for Generation	97.63	0	97.63	96.72	0	96.72
5	O&M for distribution	0	2180.38	2180.38	0	1355.22	1355.22
7	Insurance	8.2	98.9	107.1	8.2	98.9	107.1
7A	Licence /filling fees					8.25	8.25
8	Financing Charges	0	137.14	137.14		0	0
9	Interest on Borrowed Capital	381.08	1638.23	2019.31	354.58	1225.83	1580.41
10	Interest on Consumer Security	0	178.33	178.33		178.33	178.33
11	Depreciation	320.32	1402.69	1723.01	252.60	1146.67	1399.27
12	Advance against Depreciation	0	0	0		0.00	0.00
13	Water Charges	0		0	0		0
14	Taxes on Income	198.07	641.16	839.23	198.07	641.16	839.23
15	Return on equity	417.33	1350.85	1768.18	309.41	1277.38	1586.79
16	Bad Debt	0	14.41	14.41	0.00	0.00	0.00
	Net UI charges					1598.06	1598.06
17	<b>Fixed Cost without working capital</b>	<b>1705.39</b>	<b>12232.70</b>	<b>13938.09</b>	<b>1502.34</b>	<b>12090.12</b>	<b>13592.46</b>
18	interest on Working Capital	5.76	156.83	162.59	4.15	112.98	117.13
19	<b>Gross Fixed Cost (17+18)</b>	<b>1711.15</b>	<b>12389.53</b>	<b>14100.68</b>	<b>1506.49</b>	<b>12203.10</b>	<b>13709.59</b>
20	Interest Credit	0	0	0.00	88.43	320.41	408.84
21	Less; Other Misc. income	0	131.37	131.37	0	0	0
22	Less: Non-tariff income	0	11.05	11.05	61.73	1809.80	1871.53
23	<b>Net Fixed Cost</b>	<b>1711.15</b>	<b>12247.11</b>	<b>13958.26</b>	<b>1356.33</b>	<b>10072.89</b>	<b>11429.22</b>
24	Capacity Charge Disallowable	0	0		1356.33	0	1356.33
25	<b>Net fixed charge Admitted</b>	<b>1711.15</b>	<b>12247.11</b>	<b>13958.26</b>	<b>0.00</b>	<b>10072.89</b>	<b>10072.89</b>



Order on FPPCA and APR of IPCL for the year 2019-20

CHAPTER – 5

AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

5.1 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 2019-20 came as under at Table 5.1.

Table 5.1

SI No	Particulars	Amount (Rs. Lakh)		
		Generation	Distribution	Total
1	Admitted Fuel Cost excluding gain on improved distribution loss (para 3.21)	0.00		0.00
2	Admitted Power Purchase Cost <b>excluding</b> gain on improved distribution loss (para 3.22)		31961.13	31961.13
3	Additional amount on account of savings in the rate of Distribution loss		564.56	564.56
4	Total Fuel and Power Purchase Cost including gain on improved distribution loss (1+2+3)	0.00	32525.69	32525.69
5	Fixed charge allowed (paragraph .28)	0.00	10072.89	10072.89
6	Reliability incentive		763.48	763.48
7	<b>Total (4+5+6)</b>	0.00	43362.05	43362.05

5.2 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-5.2.1 in the APR submissions, duly certified by Auditor in Annexure 1 and also in Form 1.25:



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Order on FPPCA and APR of IPCL for the year 2019-20

Table 5.2

Particular	Amount in Lakh	
Energy Charges	38767.48	
Demand Charges	7897.94	
Additional Demand Charges	155.34	
Load factor Penalty	154.95	
Fixed Charge	217.72	
Power Factor Surcharge	415.09	
MVCA Charges	589.8	48198.32
Particular	Amount is Lakh	
A		
Less		
Timely and e Payment rebate	-804.72	
Load Factor rebate	-556.62	
Power Factor Rebate	-1507.31	
		-2868.64
Total amount billed to the consumer 2019-20		45329.68
Adjustment	0	
Sale of Energy as per account for the year ending 31st March 2020		45329.68

5.3 The commission observed that actual revenue realized from sale of energy as per note 34 of DPSC divisional account of IPCL for FY 2019-20 is Rs. 45329.68 lakh. The commission has not considered any revenue adjustment under the revenue from sale of energy in FY 2019-20. Accordingly, the commission has considered Rs 45329.68 lakh as actual revenue realized from sale of energy to own consumers and WBSEDCL.



Order on FPPCA and APR of IPCL for the year 2019-20

Table 5.3

Sr. No.	Particular	Amount in Rs Lakh
1.	Total recoverable as per table 4.1	43362.05
2.	Less : Amount to be adjusted on over recovery for the year 2013-14 5 as per paragraph 5.3 of MYT order 2019-20 dated 09.07.2021	112.44
3.	Add : Adjustment of additional recoverable as per paragraph 5.4 of MYT order 2019-20 dated 09.07.2021	98.36
4.	Total amount recoverable after adjustment (1-2+3)	43347.97
5.	Amount recovered : Earning from the sale of energy Electricity as per Note no.33 of DPSC Divisional account of IPCL for the year 2019-20	45329.68
6.	Balance recoverable /Adjustable amount (4-5)	(-)1981.71

5.4 IPCL vide letter no. RA/II/002/23-24/176 dated 06.11.2023 submitted additional submissions regarding discounts provided to competitive consumers in reference to APR petition for FY 2019-20 . 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 2019-20, 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.

5.5 Thus, the amount to be recovered from licensee and passed on to consumers is Rs 1981.71 Lakh as per Table 5.3.





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**Order on FPPCA and APR of IPCL for the year 2019-20**

- 5.6** In terms of regulation 2.6.6 of the Tariff Regulations, the entire amount of under recovery of Rs 1981.71 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.
- 5.7** 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
- 5.8** IPCL is to take note of this order.
- 5.9** A copy of the order shall be posted on the website of the Commission.
- 5.10** 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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Order on FPPCA and APR of IPCL for the year 2019-20

## CHAPTER 6

### DIRECTIVES

- 6.1 The commission issues following direction to IPCL in the APR order 103/22-23 . for compliance.
- 6.2 IPCL is directed to submit Income tax assessment certificates for all the previous year's up to FY 2019-20 from Income Tax department as soon as the same is received by IPCL.
- 6.3 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.
- 6.4 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 2019-20, 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.

Sd/-

(PULAK KUMAR TEWARI)

MEMBER

Sd/-

(MALLELA VENKATESWARA RAO)

CHAIRPERSON

Dated: 16.08.2024

Sd/-

(SECRETARY)