



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

**IN CASES NO.:
FPPCA – 110/ 22 – 23 AND
APR – 104 / 22 – 23**

**IN REGARD TO THE APPLICATIONS OF
THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION
COMPANY LIMITED
FOR FUEL & POWER PURCHASE COST ADJUSTMENT (FPPCA)
AND ANNUAL PERFORMANCE REVIEW (APR)
FOR THE FINANCIAL YEAR 2020 – 2021**

DATE: 29.03.2023



CHAPTER – 1

1. PREAMBLE

- 1.1 Regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended till date (hereinafter referred to as the ‘Tariff Regulations’), specifies that, the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short ‘APR’).
- 1.2 West Bengal State Electricity Distribution Company Limited (hereinafter referred to as ‘WBSEDCL’) submitted their application for Annual Performance Review for 2020 – 21 on 28.07.2022 in terms of the provision contained in Tariff Regulations. WBSEDCL has also submitted Fuel and Power Purchase Cost Adjustment (FPPCA) application for 2020 – 21 on 08.06.2022 for ascertaining the Fuel and Power Purchase Cost Adjustments (in short “FPPCA”) separately. WBSEDCL has also submitted a supplementary petition to their FPPCA application on 28.07.2022 revising the amount of Fuel and Power Purchase Cost Adjustment as per the formula specified in Schedule 7A and regulation 2.8.6.1 of the Tariff Regulations on the basis of recomputed Return on Equity. The FPPCA application and APR application along with supplementary petition has been admitted by the Commission on 13.06.2022 and 02.08.2022 in Case No. FPPCA – 110/22-23 and Case No. APR – 104/22-23 respectively.
- 1.3 The APR covers the areas of permissible annual fixed charges, permissible incentives and sharing of gain as per Schedule 9B and Schedule-10 to the Tariff Regulations respectively. In the APR for the year 2020 – 2021, therefore, the review of the different elements of fixed charges, categorized as controllable and uncontrollable has been done to find out the amounts to be approved/disapproved to WBSEDCL against each head of element vis-à-vis the amount allowed under tariff order for 2020 – 2021 in Case No. TP-89/20-21 dated 28.03.2022. The FPPCA covers the permissible amount of Fuel and Power Purchase cost as per the relevant formula specified in Schedule -7A of the Tariff



Regulations along with impact of gain sharing related to parameters of fuel cost, power purchase cost and distribution loss, if any.

- 1.4 On admission of the FPPCA and APR applications for the year 2020-21, the Commission decided to process both the applications in a combined manner. Accordingly, WBSEDCL was directed to publish the combined gist of the APR and FPPCA application for 2020 – 2021, as approved by the Commission vide letter dated 16.08.2022. The gist was published in four newspapers inviting suggestions / objections, if any, from the public as per following table:

Table 1.4-1

Sl. No.	Date of Publication	Newspapers	Last date for submission of suggestions / objections as per notification
1	23-08-2022	Aajkal	21 days from date of publication (inclusive of date of publication) [i.e., 12.09.2022]
2	23-08-2022	Bartaman	
3	23-08-2022	Sanmarg	
4	23-08-2022	The Times of India	

The approved gist along with the APR and FPPCA petitions for 2020 – 2021 were also published on the website of WBSEDCL. WBSEDCL had also made available the applications of APR and FPPCA for 2020 – 2021 and copy of its audited Annual Report and Accounts for 2020 – 2021 on its website. Opportunity was provided to all to inspect the applications and take copies thereof.

- 1.5 The Commission received an e-mail on 13.09.2022 at 10:33pm containing suggestions and objections from the All Bengal Electricity Consumer's Association (ABECA) vide letter no. serc/FPPCA/APR/obj/2022 dated 12.09.2022. As the email received after due date and time (12th Sep, 2022 at 5 PM), the suggestion & objections of ABECA dated



13.09.2022 is not considered by the Commission. Hence, there is no Suggestions/Objections from Stakeholders within the due date.

- 1.6 Subsequently, WBSEDCL has submitted a 2nd Supplementary Petition to their FPPCA application on 21.10.2022 by revising their claim of FPPCA. The said application has been admitted by the Commission on 12.12.2022 in Case No. FPPCA – 110/22-23 and Case No. APR – 104/22-23.
- 1.7 Accordingly, WBSEDCL was directed to again publish the combined gist of the APR and FPPCA application for 2020 – 2021, as approved by the Commission vide letter dated 22.12.2022. The gist was published in four newspapers inviting suggestions / objections, if any, from the public as per following table:

Table 1.7-1

Sl. No.	Date of Publication	Newspapers	Last date for submission of suggestions / objections as per notification
1	30.12.2022	Aajkal	21 days from date of publication (inclusive of date of publication) [i.e., 20.01.2023]
2	30.12.2022	Bartaman	
3	30.12.2022	Sanmarg	
4	30.12.2022	The Telegraph	

The approved gist along with the APR and FPPCA petitions for 2020 – 2021 were again published on the website of WBSEDCL. WBSEDCL had also made available the applications of APR and FPPCA for 2020 – 2021 and copy of its audited Annual Report and Accounts for 2020 – 2021 on its website. Opportunity was provided to all to inspect the applications and take copies thereof.

- 1.8 No suggestions/objections were received from stakeholders within the due date.



CHAPTER – 2

2. COMPUTATIONS OF ALLOWABLE FUEL AND POWER PURCHASE COST

- 2.1. In this part of the order, the Commission takes up for determination of fuel and power purchase cost allowable to WBSEDCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2020-21.
- 2.2. The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2020-21, is to be admitted in terms of the formula as specified in schedule 7A to the Tariff Regulations.
- 2.3. The FPPCA formula provides for adjustment of allowable fuel and power purchase cost for the gain sharing in accordance with Schedule – 9B to the Tariff Regulations. WBSEDCL has no coal fired thermal power station to operate. As such, the question of gain sharing on this account does not arise.
- 2.4. WBSEDCL's own source of generation is from Hydro Generating stations. In terms of Part – B of the referred schedule, gains accruing to a hydro generating station, if any, due to its actual performance being better than the norms set out for any year are to be retained by it without any sharing.
- 2.5. Norm of distribution loss for WBSEDCL for the year 2020-21 was 17.50% in the tariff order. As it comes out from the data provided by WBSEDCL in its application, the actual rate of distribution loss of WBSEDCL on the quantum of sales to consumers works out as under:

Table 2.5-1

Sl. No.	Particulars	Energy (MU)
1	Total Energy purchased (net of CTU loss) including energy swap in but excluding UI in (refer Annexure- 2A of the Order)	41,365.365
2	Energy sent out from own generating stations (See Reference-1)	1,867.859
3	STU Grid loss (See Reference-1 below)	1,470.702



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Sl. No.	Particulars	Energy (MU)
4	Net UI Energy drawn (623.85 MU – 268.85 MU) (See Reference-1)	355.001
5	Net Energy Available with WBSEDCL from own generating stations and from purchase of power [(1) +(2) – (3) +(4)]	42,117.523
6	Energy sold to persons other than own consumer and licensee and energy swap out including transmission loss (2642.198 MU + 92.99 MU) (See Reference-1 below)	2,735.195
7	Pumping energy for Purulia Pumped Storage Project (PPSP) including normative transmission loss	1,827.603
8	Energy available at distribution input for sale to consumer and licensee [(5)-(6)-(7)]	37,554.725
9	Energy sold to licensee at EHV & sale to Sikkim (See Reference-1)	49.674
10	Transmission loss on energy sold to licensee & Sikkim considering normative transmission loss at 3.4%	0.000
11	Energy received for wheeling at 33kV	134.697
12	Energy wheeled (See Reference-1)	133.111
13	Additional unit allowed for wheeling (See Reference-1below)	1.586
14	Net Energy Available with WBSEDCL for sale to own consumers [(8) + (11) - {(9) +(10) +(12) +(13)}]	37,505.051
15	Energy sold to own consumers and sale to licensee at HV level (See Reference-1below)	29,568.650
16	Own consumption (See Reference-1below)	72.000
17	Distribution loss [(14) – {(15) +(16)}]	7864.401
18	Distribution loss in % [(17)/ (14)x100]	20.97%
Reference-1: Statement of Technical Particulars in Annual Report and Accounts of WBSEDCL for 2020-21.		

The actual distribution loss is 20.97%. It is more than the normative distribution loss of 17.50% considered by the Commission in Tariff Order.

2.6. The values of different factors in the FPPCA formula are computed and admitted by the Commission as under:

2.6.1 **FC (FUEL COST):**

2.6.1.1 No coal fired thermal generating station is owned and operated by WBSEDCL. It only operates a diesel generating station at Rudranagar in Sagar Island to meet up the local



demand. During 2020-21, there was no generation from that station. WBSEDCL has also not claimed any amount for the year under this head. Accordingly, the Commission has not considered any fuel cost for 2020-21 for diesel generation station.

2.6.2 PPC (POWER PURCHASE COST):

2.6.2.1 WBSEDCL in its FPPCA petition under Annexure-1A submitted the total power purchase cost for 2020-21 as Rs. 1744508 Lakh along with an arrear cost of Rs. 97641 Lakh. It is also submitted that WBSEDCL received a rebate of Rs. 7024 Lakh for timely payment of Power Purchase bills & Covid rebate during the year 2020-21. Subsequently, through second supplementary petition dated 21.10.2022, WBSEDCL submitted that, they had considered Rs. 11845 Lakh related to bill discounting in the 2020-21 bill of TLDP-IV and Rs. 65419 Lakhs related to bill discounting in the arrear bills, which will be claimed in subsequent years in line with the Commission's order dated 21.09.2022. WBSEDCL accordingly prayed to revise the power purchase cost.

2.6.2.2 The quanta of power purchased by WBSEDCL from different sources and cost incurred thereon during 2020-21 as per submission of WBSEDCL and audited annual report and accounts 2020-21 have been enumerated in Annexure – 2A. As may be seen therein, the quantum of power purchased during the year works out to 41,729.004 MUs. The cost incurred for total power purchase is Rs. 17,25,639.00 Lakhs.

2.6.2.3 The Commission notes the justification for selling energy to the persons other than own consumers and licensees by WBSEDCL at average variable pooled cost by ensuring the recovery of maximum fuel cost of the power purchase of long term PPAs (excluding RE). It is observed that, WBSEDCL has considered hydro PPAs for computation of average variable pooled cost. The Commission now decides to recompute the average variable pooled cost by considering all long-term and medium-term power purchase excluding the hydro, renewable and co-generation sources. Accordingly, the average variable cost of pooled power comes to 262.96 Paise/kWh as shown in Table below:



Table 2.6-1

Long Term Thermal Source	Purchased energy (MU)	Energy Charge and MFCA Charge if appl. Rs. In Lakhs	Energy Charge Rate P/kWh
NTPC	5,098.637	118,496.00	232.41
KBUNL	140.627	3,707.00	263.61
DVC (Meija V)	99.791	2,944.00	295.02
DVC (RTPS)	700.668	20,860.00	297.72
WBPDC	21,847.470	548,803.00	251.20
PTC - Jhabua	494.435	21,248.00	429.74
PTC - Adhunik	572.697	17,921.00	312.92
PTC - Jaiprakash	489.121	21,020.00	429.75
HMEL	392.428	11,348.00	289.17
TPTCL – MPL	1,555.200	40,594.00	261.02
DPL	2,480.407	83,756.00	337.67
Overall	33,871.48	890,697.00	262.96

2.6.2.4 However, the Commission is of the view that, going forward, WBSEDCL needs to undertake detailed analysis of demand variation of its own consumers using sophisticated modelling tools and plan the strategy for intra-day power procurement through flexible options like Real Time Market (RTM) to avoid any surplus power purchase. WBSEDCL is also directed to submit the details of its power swapping arrangements in subsequent APR petitions specifying (i) swap-in energy vis a vis swap-out in the same year, (ii) swap-out as initial transaction and swap-in in succeeding year and (iii) swap-in against already swapped-out energy satisfying the provisions of regulation 5.15.2 of the Tariff Regulations.

2.6.2.5 The Commission has worked out the average cost of power purchase as below.

Table 2.6-2

Particulars	Purchase (MU)	Cost (Rs. Lakhs)
Total Power Purchase (excluding rebate for timely payment of Rs.7024 lakhs)	41,729.004	17,25,639.00



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Particulars	Purchase (MU)	Cost (Rs. Lakhs)
Less: Proportionate purchase cost of energy that is sold to persons other than its own consumers & licensees. (at avg. variable pooled cost of 262.96 P/kWh)	2,735.190	71,925.57
Less: Proportionate purchase cost of energy that has been swapped out during the year	-	-
Less: Amount received from SLDC UI Fund	-	-
Quantum for effecting distribution to consumers and licensees	38,993.814	16,53,713.43
Average per unit (kWh) purchase cost of power for sale to own consumer & another licensee (paise/kWh)		424.10

2.6.2.6 It is seen from Sr. No 9.0 of the statement of technical particulars of audited accounts that WBSEDCL has drawn 623.85 MU under Deviation Settlement Mechanism (DSM) during the year 2020-21. It is also seen from Sr No. 16 of the statement of technical particulars of the annual accounts that, WBSEDCL has injected 268.849 MU during the year 2020-21 under DSM. As per note no. – 34(A) to the annual accounts the amount payable in ERPC DSM pool account is Rs. 14,572 Lakhs (No arrear dues.) and Rs.562 Lakhs are receivable from ERPC DSM pool account as per note No. 32 to the annual accounts. The net drawal from DSM pool comes to 355.001 MU with net DSM payable of Rs. 14010 Lakhs. The DSM payable amount is only 0.85% of its total power purchase cost. In terms of regulation 5.17.2 of the Tariff Regulations net DSM charge payable being less than 5% of total power purchase cost, the amount is allowed as expenditure.

2.6.2.7 The Commission is of the view that, WBSEDCL needs to review their scheduling strategy to minimize the over-drawal from the regional pool. Since this is the APR of 2020-21 and RTM was not in existence in 2020-21, going forward WBSEDCL needs to take benefit of RTM for procuring power for meeting intra-day variation instead of over-drawing from regional DSM pool.

2.7. Cd: Cost Disallowable:

2.7.1 The actual amount of energy available with WBSEDCL for distribution to the consumers and licensees of WBSEDCL is computed as below:



Table 2.7-1

Sr. No.	Description	Quantity (MU)
1	Total energy purchased for effecting distribution to consumers and licensee as in table 2.6-2 above (Net of CTU Grid loss 363.64 MU)	38,630.175
2	STU Grid Loss	1,470.702
3	Net DSM Energy drawn	355.001
4	Net energy available with WBSEDCL from purchase [(1)-(2) +(3)]	37,514.474
5	Pumping energy for Purulia Pumped Storage Project (PPSP) including normative transmission loss	1,827.603
6	Net purchased energy available with WBSEDCL for distribution to own consumers and licensees. [(4) – (5)]	35,686.871

2.7.2 The Commission notes that, actual Auxiliary consumption as submitted by WBSEDCL in line with the normative Auxiliary consumption of the plants as specified in the Schedule 9A (H) of the Tariff Regulation. The details of the Auxiliary consumption as admitted by the Commission as shown in the Table below:

Table 2.7-2

Own Generating Station	Generation in MU	Aux in MU	Actual Aux in %	Normative Aux as per Schedule 9A (H)	Excess if any
Rammam	254.69	2.55	1.00%	1%	0.00%
Jaldhaka-1	176.67	1.76	1.00%	1%	0.00%
Mini micro-Hydel	86.56	0.87	1.00%	1%	0.00%
PPSP	1,306.44	22.21	1.70%	1.7%	0.00%
Solar	70.88	0	0.00%	0%	0.00%
Total in Mus	1,895.24	27.39			

2.7.3 The Commission has worked out the amount of excess power purchase cost as under:

Table 2.7-3

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	Esc	Quanta of energy sold to consumers	MU	29,568.650



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Sl. No.	Factor Notation	Nomenclature	Unit	Value
2	E _O	Admitted energy for own consumption	MU	72.000
3	D	Normative distribution loss	%	0.175
4	-	$(E_{sc} + E_o)/(1 - (d \times 0.01))$	MU	35,928.061
5	E _{SL}	Energy sold to other licensees at EHV & sale to Sikkim	MU	49.674
6	T	Normative T & D loss for E _{SL} (5)	%	0.034
7	-	$E_{SL}/(1 - (t \times 0.01))$	MU	51.422
8	E	Aux. consumption in excess of norms (Table 3.7-3)	MU	0.00
9	E _g	Energy sent out from own generating station	MU	1,867.859
10	E _{Adm}	Purchase of energy admitted $[(4) + (7) - (8) - (9)]$	MU	34,111.624
11	E _P	Total energy purchased for distribution and supply to own consumers and licensees	MU	35,686.871
12	E _E	Excess energy purchased $[(11) - (10)]$	MU	1,575.247
13	EP _{Avg}	Average purchase cost	Paise/ kWh	424.10
14		Cost of excess power purchase $[(12) \times (13) / 10]$	Rs Lakhs	66,805.65
15	Cd	Cost disallowed (within the limits specified in regulation 2.8.6.1 of the Tariff Regulation)	Rs. Lakhs	37,292.81

2.7.4 In terms of regulation 2.8.6.1 of the Tariff Regulations, the disallowance on account of excess power purchase cost due to excess distribution loss over the norms thereof will be limited to an amount equal to summation of Return on Equity (ROE) and net UI receivable amount subject to the following conditions:

- Net UI receivable amount over the year = UI receivable amount – UI payable amount;
- Net UI receivable amount ≥ 0 .



As per Audited Annual Accounts, DSM charges payable during the year 2020-21 are Rs 14,572 lakhs whereas DSM charges receivable are Rs. 562 lakhs. Thus, net DSM charges receivable is considered zero for FY 2020-21. The ROE for the year 2020-2021 as admitted in this APR-FPPCA order is Rs. 37,292.81 lakhs. Hence, the limit of disallowance as per regulation 2.8.6.1 comes to Rs. 37,292.81 lakhs.

2.7.5 The Commission observes that the distribution loss for 2014 – 15, 2015 – 16, 2016 – 17, 2017 – 18, 2018-19, 2019-20 and 2020-21 were 27.61%, 27.75%, 27.49%, 26.69%, 23.00%, 18.56% and 20.97% respectively. The Commission notes that the distribution loss has slightly increased during 2020 – 21 from the year 2019 – 20.

2.8. PRIOR PERIOD ADJUSTMENTS:

2.8.1 WBSEDCL claimed a total amount of Rs. 97,641.00 lakhs towards the amount of power purchase cost paid to agencies for the period prior to 2020-21. Auditors' Certificate has been provided in Annexure -1A of the FPPCA Petition showing break-up of Rs. 97,641 lakhs for the claimed amounts of arrear payment. Further, WBSEDCL in its 2nd supplementary petition dated 21.10.2022 submitted that an amount of Rs. 65,419 lakhs related to bill discounting payments has been considered under the arrear claim. Further, WBSEDCL submitted that, in terms of the Commission's Order in Case No. OA-395/21-22 dated 21.09.2022, WBSEDCL will claim bill discounting amount in respective years when it will be paid. Thus, the admissible amount of arrear comes to Rs. 32,222 lakhs as detailed below:

Table 2.8-1

Sr No	Agency Name	Amount (Rs. lakhs)
1	DVC	24.00
2	NTPC	18,005.00
3	PTC	8,564.00
4	DPL	15,011.00
5	WBPDC	-11,512.00
6	KBUNL	7.00



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Sr No	Agency Name	Amount (Rs. lakhs)
7	NVVN	317.00
8	TPTCL	-124.00
9	HMEL	1,930.00
10	Solitaire Industries	0.00
	Total	32,222.00

The Commission admits Rs. 32,222.00 lakhs as per claim of WBSEDCL towards prior period adjustment during the year 2020-21.

2.9. Allowable Fuel and Power Purchase Cost:

2.9.1 Putting the value of factors, as discussed and admitted in the foregoing paragraphs, the amount of allowable fuel and power purchase cost to WBSEDCL for the year 2020-2021 works out as under:

Table 2.9-1

Sr. No.	Particulars / Factors	Admitted by Commission (Rs. Lakhs)
1	FC: Fuel Cost	-
2.	PPC: Power Purchase Cost for Consumer & licensee	16,53,713.43
3.	CD: Cost Disallowable.	37,292.81
4.	A: Prior Period's Adjustment	32,222.00
5.	FC+(PPC-CD) + (\pmA)	16,48,642.63



ANNEXURE – 2A

ACTUAL POWER PURCHASE FOR 2020-21

S. No.	Sources	Quantity (MU)	Cost (Rs. Lakhs)
1	NTPC	5098.637	199,430.00
2	NHPC	1978.483	73,344.00
3	DVC	1286.100	74,299.00
4	DPL	2480.407	115,953.00
5	WBPDC	21847.474	918,563.00
6	Renewable and cogeneration Sources		
	Electro Steel Casting Limited	23.564	596.00
	NEORA HYDRO	8.197	295.00
	Nippon Power Ltd.	11.140	401.00
	Himadri Chemical Ltd	32.106	1,072.00
	Reshmi Ispat Ltd.	7.611	169.00
	Reshmi Cement	20.996	428.00
	Bengal Energy Limited	187.092	5,744.00
	Concast Bengal Ind. Ltd.	2.111	67.00
	NVVN (Bundle Power with Solar Power)	325.086	17,902.00
	Solitaire	6.617	762.00
	Shree Renuka Sugars Ltd	15.783	434.00
7	Short term (total)	530.935	13,358.00
8	Hiranmaye Energy Limited	392.428	23,093.00
9	CESC Ltd.	12.992	850.00
10	Assam Power	0.706	64.00
11	JBVNL	0.074	10.00
12	PTC	5181.960	182,148.00
13	TPTCL	2137.878	92,432.00
14	Kanti Bijli Utpadan Nigam	140.627	11,249.00
15	Grand Total (1 to 14)	41729.004	1,732,663.00
16	Less: Rebate for timely payment	0.000	7,024.00
17	Gross Quanta and Cost of Power Purchase (15-16)	41,729.004	17,25,639.00
18	Less: CTU Grid Loss	363.640	0.00
19	Net Quanta and Cost of Power Purchase (17-18)	41,365.364	17,25,639.00

**CHAPTER – 3****FIXED COST DETERMINATION UNDER APR OF 2020-21****3.1 Background:**

The Tariff Regulations specifies the classification of different fixed charge elements under controllable and uncontrollable heads and also the treatment of variation between projected expenditure and actual expenditure of such fixed charge elements during redetermination of ARR in APR. In its order dated 28.03.2022 in the tariff application of WBSEDCL for the year 2020-21, the Commission had considered some specific principles of calculation for determination of some elements of fixed charge during projection of ARR. The basic premises of such principles of calculation were

- (1) Wholesale price Index (WPI) and Consumer price Index (CPI),
- (2) Business volume change namely distribution line length and number of consumers, and
- (3) Sensitivity of expenditure elements to business volume change.

3.2 Parameters and formulas for fixed charge computation:

3.2.1 The Commission has noted the submission of WBSEDCL for the increase in the distribution line length and consumer strength at the end of the year 2020-21 and end of the year 2019-20 as shown in the Table 4.2-1 below:

Table 3.2-1

Particulars	Unit	Admitted in TO 2020-21	Actual end of 2020-21	Average during the year
Distribution Line Length	CKM	6,39,298.62	6,15,992.00	627645.31
No of Consumers	(Number)	2,04,47,607	2,07,00,758	20574182

3.2.2 In view of clauses (ii) and (v) of the regulation 2.6.10 of Tariff Regulations, as amended from time to time, the Commission compares the inflation rates (WPI and CPI) and the



business volume parameters (Distribution Line length and no of consumers), projected in Tariff Order 2020-21 and actual at the end of the 2020-21 in the Table 3.2-2 below:

Table 3.2-2

	Admitted in Tariff Order 2020-21	Actual 2020-21	Increase / Decrease (-) (in %)
Distribution Line length – DLL (CKM)	6,39,298.62	6,15,992.00	-3.65%
Consumer Strength – CS (Number)	2,04,47,607	2,07,00,758	1.24%
WPI in %	1.67%	1.30%	
CPI in %	7.54%	5.20%	
Inflation in hybrid index [WPI: CPI (60:40)] %	4.02%	2.86%	

3.2.3 It may be seen from Table 3.2-2 above that, the business volume parameters have not shown any significant growth as compared to MYT projections. Since business volume growth in percentage is not more than 5% and WPI & CPI indexes have also not increased more than projected in the MYT Order, hence the 2nd amendment of tariff regulation 2.6.10 of Tariff Regulations is not applicable for controllable item which is included in the working capital base. With this, now the Commission proceeds to review each of such fixed charge elements claimed by WBSEDCL.

3.3 Transmission charge payable:

3.3.1 Central Transmission Utility (CTU) Charge:

Note 34 (B) of the annual accounts for 2020-21 of WBSEDCL indicates that WBSEDCL has accounted for an amount of Rs 1,07,873 lakhs as current year transmission charge payable to PGCIL and Rs 3,130 lakhs as arrear dues of PGCIL. In para 2.2.3 of their application WBSEDCL has claimed Rs 1,005 lakhs as paid to NVVNL (as Reimbursement for interstate transfer of solar power) and Rs 5,978 lakhs as short-term open access charge included in power purchase cost as per para 2.2.4 of the application. WBSEDCL has further deducted a Rebate on transmission charge of Rs 3,603 lakhs from the CTU charge, as disclosed in paragraph 2.2.3 of APR application, to arrive at the net



claim of Rs 1,14,383 lakhs against the earlier admitted amount of Rs 1,02,684 lakhs. Note 34.4 of the Annual Audited Accounts mentions rebate for timely payment of power Central Transmission Charges as Rs. 22 lakhs. The claimed amount of Rs 1,14,383 lakhs (Rs 1,07,873 lakhs + Rs 3,130 lakhs + Rs 1,005 lakhs+ Rs 5,978 lakhs– Rs 3,603 lakhs) is now admitted as CTU charge under distribution function.

3.3.2 State Transmission Utility (STU) Charge:

In the tariff order of WBSEDCL for the year 2020-21, the Commission admitted the Annual Transmission Charge (in short 'ATC') of WBSETCL at Rs. 1,39,757 lakhs which was payable by WBSEDCL as user of the state transmission system. Against such admitted amount, actual STU charges of Rs. 1,39,733 lakhs and Rs. 18,063 lakhs of arrear dues (WBSETCL) is accounted for in Note-34(B) of the Annual Accounts of 2020-21 and claimed by WBSEDCL in their APR application for the year 2020-21, under the head STU charges. The said amount of Rs. 1,57,796 lakhs is admitted by the Commission in the APR for 2020-21 and allocated to distribution function.

3.3.3 SLDC Charges:

As seen from note 34(D) of annual accounts, WBSEDCL accounted for Rs. 1,947 lakhs towards charges payable to SLDC in the year 2020-21 against the admitted amount of Rs 2,211 lakhs. However, WBSEDCL has claimed Rs. 1,947 lakhs in their APR application. Considering the amount in annual accounts, the Commission admits amount of Rs. 1,947 lakhs paid by WBSEDCL as SLDC charges in the APR for 2020-21 and the entire amount is allocated to distribution function.

3.3.4 RLDC Charges:

On account of system operation charges to Power System Operation Corporation (POSOCO) WBSEDCL claimed Rs. 259 lakhs for the year 2020-21, which is lower than the admitted amount of Rs 491 lakhs. In note 34(B) of annual accounts Rs 259 lakhs is shown as current year's dues. The said amount of Rs. 259 lakhs is admitted by the Commission in APR for 2020-21 and the entire amount is allocated to distribution function.



3.3.5 ERPC Charges:

An amount of Rs. 16 lakhs were accounted for in note 34(C) of annual accounts and claimed by WBSEDCL as Eastern Regional Power Committee (in short “ERPC”) charges. The entire amount of Rs. 16 lakhs is admitted in the APR for the year 2020-21 and allocated to the distribution function.

3.3.6 VARH Charges:

In para 2.7 of their application WBSEDCL has claimed an amount of Rs. 1,123 lakhs towards payment of Reactive Energy (VARH) charge. Such charge has been shown in note 34(E) of the Annual Accounts of WBSEDCL for 2020-21. The Commission vide its MYT Order, had observed that, VARH charge is a kind of penalty due to reactive power drawal from the grid during low voltage condition and reactive power injection to the grid during high voltage, which is not healthy for the grid and can be avoided to the great extent by implementing proper planning and operational measures. Accordingly, the Commission had not admitted any amount in MYT Order under this head. Further, the Commission has directed WBSEDCL to submit the detailed justification and measures taken to reduce the payable VARH charge along with their APR Petition.

Accordingly, the Commission notes that, WBSEDCL in this Petition has submitted that, ERLDC claims VARH charges from WBSLDC as per VARH drawal at various ISTS interconnection points at high and low voltage as per IEGC Regulations 2020. WBSLDC in turn raises the invoices and such VARH charges are paid by WBSEDCL. Further WBSEDCL has submitted that, VARH charges being incurred by WBSEDCL is not a case of inefficiency from the end of WBSEDCL. However, WBSEDCL has taken initiative to improve the voltage profile by increasing substations and also minimise VARH charge. WBSEDCL has submitted that, it has also taken measures like, incentives/ counterincentive to consumers to maintain better power factor, increasing the capacitance of distribution network, construction of new 33/11 KV substation with HV and LV cable network, installation of Capacitor Bank in HV system etc. The Commission notes that measures taken by WBSEDCL and expects to continue with similar measures



to demonstrate that, the VARH charges are further minimum to avoid the burden on the consumers.

WBSEDCL has submitted that the invoice for VARH charges is claimed to SLDC by ERLDC as per CERC IEGC Regulations, 2010. The entire amount claimed by WBSEDCL under this head is admitted.

3.4 Employee cost:

In the APR application for 2020-21, WBSEDCL has claimed Rs 1,74,801 lakhs towards expenditures on employee cost, as against the amount of Rs 1,17,591 lakhs admitted in the Tariff Order for the said year.. Further, from note no 35 and 43 of annual accounts, other comprehensive income recognized in the Statement of Profit & Loss Account and form 1.17h submitted by WBSEDCL it is seen that, out of the total employees cost of Rs 1,74,801 lakhs, Rs 1,74,795 lakhs pertains to salaries and related staff expenditures inclusive of Directors' sitting fees and employees of DPL on deputation. The claim of WBSEDCL for employee cost of Rs. 1,74,801 lakhs as noted in para. 2.17.2 of application after giving adjustment for the other Comprehensive income (Note 41 of Audited account) and Other Provisions written back vis-à-vis the figures of Audited Accounts is detailed below.

Table 3.4-1

Particulars	As per Tariff Order	As claimed in Petition	As per Audited Accounts
Employees Cost	Rs in Lakhs	Rs in lakhs	Rs in lakhs
Employee Cost (as per Note 35 of Audited Report) before Employee Cost Capitalisation)	1,33,626	1,79,986	1,79,986
Less: Employee Cost Capitalized	16,035	5,197	5,197
Salary & wages (including other staff welfare benefits, compensation and	1,17,591.00	1,74,795.00	1,74,789.00



West Bengal Electricity Regulatory Commission

Particulars	As per Tariff Order	As claimed in Petition	As per Audited Accounts
contribution to provident and other funds) -- -A			
Add: Directors' sitting Fees & Expenses – B			6.00
Less: Other Comprehensive Income (Note 41 of Audited Accounts) –C		26,029.00	26,029.00
Less: Other Provisions Written Back (Note 33 of Annual Accounts) – D		170.00	170.00
Total ----- (A + B - C - D)	1,17,591.00	1,48,602.00	1,48,602.00

- 3.4.1 WBSEDCL vide Para 2.17.4 of their Petition has submitted that the employee cost capitalization has been reduced and considered at Rs 5197 lakhs owing to adoption of new policy on employee cost capitalization. The Commission sought additional clarification on the new policy adopted from WBSEDCL vide letter dated 09.02.2023. WBSEDCL vide its letter dated 16.02.2023 had submitted the details wherefrom it is observed that the Employee cost of its construction units are being continued to be capitalized at the rate of 100%. and Employee cost (other than current service cost) arising out of Actuarial Valuation report are not capitalized. Accordingly, the Commission considers the capitalized value of Employees Cost for the year 2020-21 as Rs. 5197 lakhs.
- 3.4.2 The Commission further adjusts the amount of Rs. 26,023 Lakhs towards Other Comprehensive Income (OCI) related to employee cost for 2020-21 as per Note 41 of the Audited Annual Accounts and also considers WBSEDCL's proposal to adjust Rs. 170 lakhs on Other Provisions Written Back from their total employee cost during the year.
- 3.4.3 Accordingly, the Commission admits Rs 1,48,602 lakhs towards Employee cost in the APR for 2020-21 and allocates the same to generation and distribution function as proposed by WBSEDCL in the Petition. Summary of Admittance and allocation is given in Table 3.4-3 below.



Table 3.4-3

Expenditure Head	Amount (Rs. in Lakhs)			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Employee Cost (form 1.17h)	174,801.00	4,771.09	170,029.91	174,801.00
Less Allocated OCI	26,029.00	710.45	25,318.55	26,029.00
Less Other Provision Written Back	170.00	4.64	165.36	170.00
Net Employee Cost after adjustment of OCI and other provision written back	148,602.00	4,056.00	144,546.00	148,602.00

3.5 Operation and Maintenance (O&M) Expenses:

3.5.1 Operation and maintenance (O&M) Expenses for Generation:

3.5.1.1 In line with the admitted expenditure of Rs 5,465 lakhs, WBSEDCL has claimed Rs 5,465 lakhs as O&M expenditures for Generation. 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.

3.5.1.2 WBSEDCL has handed over 10 MW Teesta Canal bank solar PV plant to the contractor on 11.03.2017 for comprehensive O&M for five (5) years. The grant fund covers comprehensive O&M expense for five (5) years from the date of handing over of the plant and WBSEDCL will have to incur the expenditure from 10.03.2022. Hence WBSEDCL has not claimed any O&M expenses for said solar PV plant for 2020-21. Rs 5,465 lakhs is the total O&M expense for Rammam, Jaldhaka, Small Hydro and PPSP power plants.

3.5.1.3 In line with reg 2.5.5 (ii) of Regulation, the O&M expenses for generation for 2020-21 will be determined as per norms specified in para 6.4.1 table 6.3 in tariff order for 2020-21. As per the 2nd amendment of Tariff Regulations, O&M expenses for a generating station are considered as controllable factor.



3.5.1.4 The Commission has verified the O&M expenses of Generation business claimed by WBSEDCL with the forms 1.12 of Petition and Audited Account. The Commission notes that, the O&M expenses of Rammam Stage-I and Small Hydro project are higher than the normative O&M expenses approved by the Commission in Tariff Order. Further, the O&M expenses of Jaldhaka, PPSP are lower than the normative expenses approved by the Commission in Tariff order. As the O&M Expenses are Controllable in nature, the Commission admits the O&M Expenses within the Normative Expenses approved in the Tariff Order. Accordingly, the Commission admits the O&M expenses as shown in the table below. Further an amount of Rs. 37 Lakhs has been booked under Centrally allocated expenses in Form 1.17 of the Petition submitted by WBSEDCL vide letter dated 28.11.2022. The Commission admits the total O&M expenses limited to the normative expense as per the Tariff regulations.

Table 3.5-1

O&M expenses for generating stations of WBSEDCL						
Name Of Plant	Installed Capacity in MW	Normative O&M cost in Rs Lakhs/ MW	Normative O&M cost in Rs Lakhs	O&M cost in Rs Lakhs as claimed in form E(b)	O&M cost in Rs Lakhs Actual as per form 1.12	O&M cost in Rs Lakhs as Admitted
Rammam Stage I	51.00	12.70	647.74	647.74	821.00	647.74
Jaldhaka	36.00	18.29	658.32	658.32	470.00	470.00
Small Hydro	89.60	18.09	1,620.86	1,620.86	1,751.00	1,620.86
PPSP	900.00	2.82	2,537.05	2,537.05	1,559.43	1,559.43
TOTAL	1,076.60		5,465.00	5,465.00	4,601.43	4298.03
Centrally allocated expenses (Form 1.17)					37.00	37.00
Total	1,076.60		5,465.00	5,465.00	4,638.43	4335.03

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

R&M expenses claimed by WBSEDCL is Rs 20,991 lakhs which is lesser than Rs. 31,244 lakhs as admitted in Tariff Order 2020-21. As per form 1.15 and 1.17 and Audited



Account Note 38, R&M expense comes out as Rs. 20,991 lakhs. Annexure 5A of Volume 2 of APR application also indicates the same (Rs. 22,060 lakh total R&M -Rs. 1067 R&M for Generation – Rs. 2.0 lakh corporate allocation of Generation). Hence, the Commission admits the amount of Rs. 20,991 lakhs under distribution head.

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

3.5.3.1 WBSEDCL in its Petition has submitted the A&G expenses for distribution as Rs. 11,988 lakh. However, it is noted from Form 1.15, 1.17 and the Auditors' Certificate given in Annexure-5A it is coming to Rs. 13,393 lakh, which also matches with Note 38 of the Audited Account. The Commission notes that, the amount of Rs. 13393 lakh is within the admitted amount of Rs 15,069 lakhs in Tariff Order 2020-21. The auditor certificate in Annexure 5A volume II details the segregation of amounts booked under different expenditure heads in Annual Accounts between generation and distribution function. Accordingly, the Commission approves the A&G expenses for distribution as below.

3.5.3.2 Expenses claimed under Audit, Legal and Other A&G head are less than the amount admitted in Tariff Order. Further, the Rent is higher than the amount admitted in the Tariff Order. Since the A&G expenses are controllable, the Commission considers admitting these expenses limited to admitted Tariff Order. Accordingly, total A&G expenses of Rs. 13,393 lakhs admitted by the Commission under distribution function is as per the Table 3.5-2 below.

Table 3.5-2

Sl No	Expenditure Head	Amount in Lakhs Rs		
		Admitted in Tariff Order	Claim in APR Petition	Admitted in APR
1	Rent	1,397.00	1,405.00	1,397.00
2	Audit	127.86	127.00	127.00
3	Legal & Consultancy Charges	519.00	368.00	368.00
4	Other A&G	13,025.00	11492.00	11492.00
5	Adjustment as per regulation [2.5.5(iv)] of Tariff Regulations			8
	Total (1+2+3+4)	15,068.86	13,393.00	13,393.00



3.5.4 Outsourcing Expenditure for Distribution:

3.5.4.1 In tariff petition for 2020-21, WBSEDCL has claimed Outsourcing expenses without furnishing the breakup under the controllable and uncontrollable heads. The Commission had admitted the same as controllable expense in the Tariff order of 2020-21.

3.5.4.2 WBSEDCL in its APR application for 2020-21, has claimed the entire outsourcing expenses for distribution of Rs. 64,273 lakhs as uncontrollable under manpower & vehicle expenses. The Commission observes that the expenses pertaining to Data Warehousing, Collection Franchisee, Franchisee, Meter Reading & Bill distribution and Back-office job had been categorized under controllable head in its previous APR Orders. Other heads of expenses are analyzed based on the nature of expense and treated accordingly.

3.5.4.3 WBSEDCL has claimed Call Center and Security expenses as uncontrollable. The Commission finds that such expense heads are predominantly manpower related. Accordingly, the Commission has considered Call Center and Security expense heads as uncontrollable. Similarly, WBSEDCL has claimed Line and Substation maintenance, and Mobile Maintenance Service expense as uncontrollable. The Commission notes that such expense heads consist of manpower and consumables related expenses. As the consumable related expenses are claimed in Repair and Maintenance head separately, the Commission considers Line and Substation maintenance and Mobile Maintenance Service being predominately in the nature of manpower and vehicle related expenses, heads as uncontrollable.

3.5.4.4 In the tariff order 2020-21, the Commission considered the heads of line maintenance and substation maintenance in a composite manner considering the past trend of expense in connection with these two items. However, WBSEDCL has claimed it as separate heads of expenses. For admitting the expenditure under different subheads of outsourcing expenditure in line with regulation 2.8.9.5 and regulation 2.6.8 of the Tariff Regulation, the Commission considers the total claim under Line maintenance and substation



maintenance sub-heads as a composite claim for Line and substation maintenance. In the subsequent paragraphs, each head is discussed.

3.5.5 Line and substation maintenance:

The admitted amount under this head in the ARR of the tariff order of 2020-21 is Rs. 21,288.64 lakhs. The claim under this head amounting to Rs. 21,635 Lakhs is corroborated by annexure 5A of APR application Volume II, Note 38 Annual account for 2020-21 As the amount has been claimed under uncontrollable head, the Commission admits Rs. 21,635 lakhs.

3.5.6 Meter Reading and Bill Distribution:

The amount admitted in tariff order is Rs. 13,652.42 lakhs against which WBSEDCL has claimed Rs. 14,454 lakhs as per Form 1.15 and 1.17 in their petition. The claim under this head amounting to Rs. 14,454 Lakhs is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The Commission has considered the head as controllable, and hence admits Rs. 13,652.42 lakhs as provided in the Tariff order 2020-21.

3.5.7 LT Mobile Maintenance [MCSU as per SOP Regulation]:

The amount admitted in tariff order under this head is Rs. 18,163.64 lakhs. WBSEDCL has claimed Rs. 18,765 lakhs against the admitted amount as per Form 1.15 and 1.17 in their petition. The claim under this head amounting to Rs. 18,765 Lakhs is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The claim being under uncontrollable head as decided in paragraph 4.10.3 above, the Commission admits Rs. 18,765 lakhs.

3.5.8 Security Expenses:

WBSEDCL has claimed an amount of Rs 5108 lakhs against the admitted amount of Rs. 3,963.65 lakhs as per Tariff order 2020-21. The claim under this head amounting to



Rs.5,108 Lakhs is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). As the claim being under uncontrollable head as decided in paragraph 4.10.3, the Commission admits Rs. 5,108 lakhs towards Security Expenses.

3.5.9 Call Centre Expenses:

WBSEDCL in its petition claimed Rs. 2,844 lakhs as per Form 1.15 and 1.17 of the petition under this head which is less than the admitted amount of Rs. 2,938 lakhs in the tariff order 2020-21. The claim under this head amounting to Rs. 2,844 Lakhs is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). Since the claimed amount is less than the admitted amount in the tariff order, the Commission admits the amount of Rs. 2,844 lakhs.

3.5.10 Back Office Jobs:

For back-office jobs, WBSEDCL in its petition claimed Rs. 236 lakhs under this head which is more than the admitted amount of Rs. 128.94 lakhs in the tariff order 2020-21. The claim under this head amounting to Rs. 236 Lakhs is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The Commission has considered the head as controllable as mentioned in paragraph 4.10.2, and accordingly admits Rs. 128.94 lakhs as provided in the Tariff order 2020-21.

3.5.11 Franchisee cost:

No amount has been claimed under the head of Franchisee cost in APR petition.

3.5.12 Collection Franchisee Cost:

For collection franchisee, WBSEDCL in its petition claimed Rs. 1,229 lakhs under this head which is less than the admitted amount of Rs. 2,250 lakhs in the tariff order 2020-21. The claim under this head amounting to Rs. 1,229 Lakhs is corroborated by as per Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The



Commission has considered the head as controllable as mentioned in paragraph 4.10.2 above, and hence admits Rs. 1,229 lakhs as admitted in the Tariff order 2020-21.

3.5.13 Data Warehousing Costs:

No amount has been claimed under the head of data warehousing in APR petition.

The details of admitted amount on different elements of outsourcing expenditure as narrated in the above paragraphs is shown in Table 3.5-3 below:

Table 3.5-3

Cost of outsourcing	Admitted in Tariff order	Claimed in APR	Admitted in APR 2020-21
HT Line Maintenance and Sub-station Maintenance	21,288.64	21,635.00	21,635.00
Security charges	3,963.65	5,108.00	5,108.00
Meter Reading & Bill Distribution	13,652.42	14,454.00	13,652.42
Back-office Job	128.94	236	128.94
Call centre	2,938.00	2,844.00	2,844.00
LT Mobile Maintenance	18,163.64	18,765.00	18,765.00
Franchisee	0.00	0.00	0.00
Collection Franchisee	2,250.49	1,229.00	1,229.00
Data warehousing	0.00	0.00	0.00
Sub-total (iv)	62,385.78	64,271.00	63,362.36

3.6 Some small Expenses:

3.6.1 Lease Rental:

The admitted amount under this head in 2020-21 Tariff Order is Rs. 1,791 lakhs. WBSEDCL has claimed Rs 766 lakhs under this head. As per para 6.4.4 of Tariff order 2020-21, Lease rental line expenditure is included under 'Other items', which is classified under controllable expense in parity with O&M expense. Same amount is reflected in the Form 1.15 and Form 1.17 and Note 38 A of audited accounts. Since the



item has been considered under the controllable head, the Commission admits Rs. 766 lakhs for Lease Rental under Distribution function.

3.6.2 Complaint Management Mechanism:

The admitted amount under this head in 2020-21 Tariff Order is Rs 341.98 lakhs. WBSEDCL has claimed Rs 356 lakhs under this head. The Commission, in para 6.4.4 of the Tariff Order for 2020 – 21, has specified that this element will be considered as controllable factor. Same amount is reflected in the Form 1.15 and Note 38 A of audited accounts. Since the item has been considered under the controllable head, the Commission admits Rs. 341.98 lakhs for Complaint Management Mechanism under Distribution function.

3.6.3 Insurance:

The admitted amount under this head in tariff order of 2020-21 is Rs 1,150.74 lakhs. WBSEDCL has claimed Rs 865 lakhs under this head. The same amount is reflected under Form 1.17(f) and note 38C of the audited Annual accounts submitted by WBSEDCL for 2020-21. Since the item has been considered under the uncontrollable head, the Commission admits Rs. 865 lakhs for Insurance, which has been allocated as Rs.806.04 lakhs and Rs.58.96 lakhs between generation and distribution functions respectively.

3.6.4 Bad Debts written-off:

No amount has been admitted under this head in Tariff Order of 2019-20 and 2020-21. WBSEDCL has claimed Rs 10,044 lakhs under this head. The same amount is reflected under Form 1.15 and 1.17 and note 38D of the Annual accounts submitted by WBSEDCL for 2020-21. As per regulation 5.10.1, the Commission may allow such amount of bad debt to a ceiling of 0.5% of the annual gross sale value of power at the end of current year. Hence, the Commission admits Rs. 10,044 lakhs since the amount is within the ceiling specified in regulation 5.10.1 of the Tariff Regulations.



3.6.5 Rates and taxes:

WBSEDCL in its application has submitted that, the expenditure of Rs 18,488 lakhs claimed under Rates and Taxes includes Goods & Services Tax (GST) amounting to Rs. 18,488 lakhs. WBSEDCL has also submitted that expenditure on Rates and Taxes, being dependent on external factors like government tax fixation policy, is uncontrollable in nature, and the Commission may accordingly consider allowance of such expenditure.

The Commission accepts the prayer of WBSEDCL considering the fact that, taxes are subject to Government policies and uncontrollable for the licensee. However, it also needs to be ensured that the taxes paid on legitimate and admitted heads of expenditure are only allowed to be passed on to tariff. As the Commission performs a prudence check and inefficiencies are not allowed as a pass through, similarly the tax elements of such inefficiencies are to be disallowed.

Total tax claim of WBSEDCL works to Rs 18,488 lakhs out of which Rs. 201.7 lakh is tax related to employees and insurance. The taxable heads of O&M, Outsource and small expenditures of Lease rental, insurance and complaint management mechanism accounts for this tax. The Commission decides to allow the tax related to employee expenses and insurance as per the claim of WBSEDCL. However, for balance taxable heads proportionate amount of tax is admitted as below:

Table 3.6-1

SL No	Particulars	Amount (Rs. lakhs)
1	Taxable expenditure claimed on O&M and outsourcing expenses	1,03,049.00
2	Admitted amount of expenditure on O&M & outsourcing (i) O&M for Generation: Rs. 4335.03 lakh (ii) R&M for Distribution: Rs. 20,991.00 lakh	1,02,081.39



	(iii) A&G for Distribution: Rs. 13,393.00 lakh (iv) Outsourcing Expenses: Rs. 63,362.36 lakh (v) Lease rental & complaint management: Rs. 1107.98lakh	
3	Tax claimed on O&M and outsourcing expenses (Rs. 18,487.84 lakh – Rs. 201.70 lakh)	18,286.14
4	Proportionate GST admitted on O&M & outsourcing expenses. [(3) x (2) / (1)]	18,114.44
5	Add: GST on employee cost and insurance (as claimed)	201.20
6	Total allowable rates & taxes	18,315.64

The Commission admits the amount of Rs. 18,315.64 lakhs as mentioned above. The admitted amount is proportionately allocated between Generation and Distribution function in the ratio of amounts claimed by WBSEDCL against this head. Thus, the amount admitted under generation function comes to Rs 487.41 lakhs and for Distribution function, admitted amount is Rs 17828.23 lakhs.

3.7 Depreciation:

- 3.7.1 WBSEDCL has claimed an amount of Rs. 45,352 lakhs (Rs 1,08,469 lakh – Rs 2002 lakh – Rs 1405 lakh – Rs 40 lakh – Rs 59,670 lakh) in its APR application for 2020-21 towards depreciation on fixed assets as against Rs. 42,251.32 lakhs allowed in the ARR for the year 2020-21 in the tariff order. In Form – B of the APR application asset class wise breakup of the amount of Rs 1,08,469 has been provided. In Note 37 of annual accounts of 2020-21 depreciation and amortization chargeable to revenue account for the year 2020-21 is shown as Rs. 1,08,469 lakhs. Note 33 of annual accounts of 2020-21 shows Government grants of Rs. 59,670 lakhs and Consumers' contributions towards capital assets of Rs 8,105 lakhs. WBSEDCL vide Paragraph 2.14.4 has submitted depreciation on retired assets of Rs. 2002 lakhs and Depreciation on intangible assets Rs. 1405 lakhs,



and Amortisation of lease hold land Rs. 40 lakhs. Hence, the net depreciation is Rs. 37,247 lakhs (Rs. 1,08,469 lakh -Rs. 2002 lakh – Rs. 1405 lakh – Rs. 40 lakh– Rs. 59,670 lakh – Rs. 8,105 lakh).

3.7.2 The amount of Rs 37,247 lakhs admitted under the head depreciation is allocated to Generation and Distribution in proportion to the claim of WBSEDCL as shown in the table below

3.7.3 Summary of Admitted amount as discussed above is given in Table below.

Table 3.7-1

Expenditure Head	Amount in Rs. Lakhs			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Depreciation	45,352.00	8,943.00	28,304.00	37,247.00

3.8 Finance Charges:

3.8.1 Interest on Capital Borrowings:

3.8.1.1 WBSEDCL has claimed the interest of Rs. 54,902 lakhs on capital borrowing for the year 2020-21 in its APR application. It is seen from note 36A (I) of the annual accounts for the year 2020-21, the amount of interest on capital loan net of capitalization has been shown as Rs. 54,902 lakhs. The details of the loan and interest on loan payable during the year have been shown in Form-C (Statement of Loans and Calculation of Interests) of the APR application.



3.8.1.2 The interest payable on capital loans during the year as shown in the annual accounts are as shown in Table 3.8-1 below.

Table 3.8-1

Sl No	Loan Detail	Amount in Lakhs Rs		
		Opening Balance	Closing Balance	Interest
1	Non-convertible bond	100,000.00	100,000.00	10,086.00
2	PFC	2,090.00	2,090.00	188.00
3	PFC RAPDRP A&B	10,754.00	10,151.00	1,322.00
4	REC	4,01,476.00	4,51,875.00	41,510.00
5	REC Package	7,460.00	4,747.00	2,394.00
6	State Govt	9,880.00	9,365.00	178.00
7	Sub Total (Total 1 to 6)	5,31,660.00	5,78,228.00	55,678.00
8	Interest capitalized	0.00	0.00	776.00
9	Net Claim (7-8)	5,31,660.00	5,78,228.00	54,902.00

3.8.1.3 Table 2.5.5-1 of Tariff Regulations 2011 classifies interest rates and finance charges as uncontrollable factors. Accordingly, the Commission admits Rs. 54,902 lakhs as interest on capital borrowings and allocates in the same ratio to generation and distribution function as claimed.

3.8.1.4 Total opening balance, and total closing balance are Rs. 5,31,660 lakhs and Rs. 5,78,228 lakhs respectively, whose average comes out to be Rs. 5,54,944 lakhs. The total interest payable, is Rs. 54,902 lakhs.

3.8.1.5 The weighted average interest rate of capital loan has been recalculated as 9.89% $[(54,902 / 5,54,944) * 100]$.

3.8.2 Interest on Pension Trustee Bonds.

3.8.2.1 An amount of Rs. 5,202.00 lakhs was allowed in the ARR for the year 2020-21 towards interest @ 8.5% on Pension Fund Bonds. In note 36 A (IV) of the annual accounts 2020-21. WBSEDCL has claimed an amount of Rs 9971 lakh towards payment of interest on Pension trust Bonds for the year 2020-21. The excess interest paid for the year 2020-21



[Rs 4769 lakh (Rs 9971 – Rs 5202) Lakh] is owing to partial repayment of Principal amount of Pension Trust Bonds as submitted by WBSEDCL vide Para 2.8.2 of their petition. The Commission therefore does not allow this additional amount of Rs. 4769 lakhs and admits Rs.5202 lakhs towards payment of interest on pension trust bond. Allocation of admitted amount to the generation and distribution functions has been done as per allocation prescribed by Tariff Order 2020-21 and Rs 5202 lakhs is admitted for Distribution function.

3.8.3 Interest on Working Capital:

3.8.3.1 WBSEDCL has submitted that, as per Tariff Regulations, Working Capital of WBSEDCL for the year 2020-21 has been computed as Rs. 2,03,340 lakhs. Hence it has incurred the Interest on Working Capital of Rs. 15,127 lakh for FY 2020-21 The same amount has been claimed in Form 1.17(b).

3.8.3.2 The Commission proceeds to calculate the admissibility of Working Capital requirement as shown in Table 3.8.2 below:

Table 3.8-2

Particulars		Rs Lakhs
		Admitted
Working Capital:		
Total Variable cost and Fixed cost	A	23,04,765.68
Less: Depreciation	B1	37,247.00
Less: Bad Debts	B2	10,044
Less: Return on Equity	B3	37,292.81
Total deductions: (sum B1:B3)	B	84,583.81
Allowable Gross Sales for Working Capital	C = A-B	22,20,181.87
Allowable Working Capital @10% on C	D	2,22,018.19
Security Deposit as on 31.03.2021 as per Note 20 (Page 256 of Audited Report)	E	4,34,040.00



3.8.3.3 AS per the provisions of the Tariff Regulations, the Commission has directed WBSEDCL to use the consumer's security deposit for meeting the working capital requirement. The Commission notes that, the security deposit from the consumers is higher than the required working capital. Accordingly, the Commission does not admit the claim amount of interest on working capital.

3.8.4 Interest on Consumers' Security Deposit:

3.8.4.1 WBSEDCL has submitted audit certificate in respect of security and other deposits from consumers and interest on security deposit in annexure 28A of volume II of application. The actual amount of interest accrued on such security deposits during 2020-21 is Rs. 22,829 lakhs, as against Rs. 23,265 lakhs allowed in the Tariff Order.

3.8.4.2 The amount of interest on security deposit as reflected in note 36 (V) of Annual Accounts for 2020-21 and claimed by WBSEDCL, i.e., Rs. 22,829 lakhs are admitted and considered under distribution function in the APR for 2020-21.

3.8.5 Other Finance Charges:

3.8.5.1 This head of expenditure is a subhead of financing cost in terms of Regulation 5.6.4 of the Tariff Regulations. Under this sub-head against the approved amount of Rs 1,415 lakhs in tariff order 2020-21, WBSEDCL has claimed Rs. 2,371 lakhs which includes bank charges of Rs. 1,493 lakhs, and Rs 878 lakhs towards Impact of Ind AS estimated for the current year related to Transaction cost of Capital Bonds of Rs. 17 lakhs and Rs 861 lakhs (Rs. 4250 lakh + Rs. 2585 lakh + Rs. 619 lakh – Rs. 4250 lakh - Rs. 2343 lakh) being the differential amount towards interest expenditures resulting from fair value accounting of expenditures in accordance with IND_AS requirement as disclosed in Note No. 36(B) and Note 33(B) of Audited Annual Accounts for 2020-21.

3.8.5.2 The Commission finds that such claims for impact of Ind AS compliance for the year 2020-21 are on account of the resultant notional interest calculated to recognize the liability for purchase of power, and liability for capital supplies/ works at their fair value



in balance sheet using amortized cost or effective interest rate due to adoption of IND-AS.

3.8.5.3 The Commission vide Paragraph 4.2 of the APR order 2016-17 (first APR order after adoption of IND-AS) had elaborated on the issues related to First time adoption of Ind AS. and decided not to admit such notional interest vide Para 4.2.4.5, and accordingly such amount is not admitted.

3.8.5.4 Considering above, the balance claim of other finance charges to the tune of Rs.1493 lakhs incurred by WBSEDCL are admitted with function wise breakup of Rs 73 lakhs under generation head and Rs 1420 lakhs under Distribution head in proportion to the claim

3.9 Other expenses:

3.9.1 WBSEDCL has claimed Rs 2,732 lakhs as the expenditure for other items in its APR application. The Commission in the Tariff Order for FY 2020-21 had not admitted the claim of WBSEDCL under other expenses as WBSEDCL had not provided any details against the same.

3.9.2 The Commission notes that, WBSEDCL vide Form 1.15 and 1.17, WBSEDCL has submitted claim for an expenditure of Rs. 2,503 lakhs under the head 'Loss on demolition/retirement of assets giving certain details in Annexure-III of its Petition. The Commission sought further clarification and asked to specify the amount of grant included in the book value of assets amounting to Rs. 60.80 crore mentioned to have been retired/demolished as submitted in the Annexure-III of the Petition. WBSEDCL while submitting clarifications through letter dated 16.02.2023 has not specified anything regarding the amount of grant Accordingly, the Commission decides to withhold the amount of Rs. 2503 lakhs against the Loss on demolition/retirement of Fixed Assets and directs WBSEDCL to submit the requisite details before the Commission for further scrutiny The Commission however considers to admit the



expenses of Rs. 6 lakh against the loss of obsolescence of inventory under the other expenses.

3.9.3 Further, WBSEDCL has also claimed the amount of Rs. 222 lakhs on account of solatium on death/damages to outsiders and compensation to consumers. As per the Regulation 2.2.7 of Tariff Regulations, the Commission decides not to admit the claim of Rs. 222 lakhs on account of compensation paid by WBSEDCL to outsiders.

3.9.4 Accordingly, the Commission admits the claim of Rs. 6 lakhs against the Rs. 2731 lakh claimed by WBSEDCL under the head of other expenses.

3.10 Reserve for Unforeseen Exigencies:

3.10.1 In the Tariff Order for 2020-21, no amount was allowed under this head in the ARR. WBSEDCL has also not claimed any amount under this head in its APR application for 2020-21. Accordingly, the Commission does not consider any amount under this head in APR for 2020-21.

3.10.2 In earlier orders, the Commission had directed WBSEDCL to follow regulations 5.24.3, 5.24.4 and 5.24.10 of the Tariff Regulations and submit the audited amount of the interest income from investment of each type of reserve funds covered under regulation of 5.24 of the Tariff Regulations with APR of each year starting from the year 2012-13. The Commission had also directed that the interest accrued from investment of power purchase fund, development fund and reserve for unforeseen exigencies fund shall be deposited in the respective fund as per provision of the Tariff Regulations.

3.10.3 The Commission notes that, in spite of specific direction of the Commission, WBSEDCL has not submitted any audit report as specified in regulation 5.24.10 of the Tariff Regulations in its current APR application. The Commission also does not find any specific amount booked on this head. In view of above, the Commission directs WBSEDCL to comply with the direction given in paragraph 3.17.5 of the APR Order



of 2014 – 15 before filing next APR application for FY 2021-22 and decides to continue with the amount already withheld in the APR order of 2014-15.

3.11 Return on Equity:

- 3.11.1 WBSEDCL has submitted that, as per the provisions of the Tariff Regulations, it has computed the pre-tax ROE for 2020-21 in Form 1.22 of Annexure-I in Volume-I of this APR Application which comes to Rs.37,547 lakhs. WBSEDCL further submitted that no equity addition has been considered for generation assets but actual addition of equity base for distribution assets Rs. 3086 lakhs has been considered during 2020-21 for computation of actual ROE.
- 3.11.2 However, WBSEDCL vide its supplementary Petition dated 13 July 2022, has submitted that, the actual addition to equity during 2020-21 under distribution function is Rs. 343 lakhs. The Commission finds that the same amount is reflected as opening balance of Retained Earnings in Note 16 of the Audited Accounts, from note
- 3.11.3 Accordingly, the Commission considers the supplementary submission of WBSEDCL for the purpose of calculation of Return on Equity for FY 2020-21. and proceeds to compute the admissible Equity base and Return on Equity as below:.

Table 3.12-1

Particulars	2020-21		
	Generation	Distribution	Total
Opening equity base	11,358.00	2,25,674.00	2,36,589.00
Equity addition	0.00	343.00	343.00
Closing equity base	11,358.00	2,26,017.00	2,36,932.00
Admissible equity base	0.00	2,26,017.00	2,26,017.00
ROE @ 16.5%		37,292.81	37,292.81

The Commission thus admits Rs 37,292.81 lakhs towards Return on Equity for 2020-21.



3.12 Taxes under Income Tax Act:

3.12.1 WBSEDCL has submitted, ROE is claimed on pretax basis, and hence MAT is claimed separately by WBSEDCL in this APR Application amounting to Rs. 2,079 Lakh. However, the Commission notes that, as per ITR assessment Order submitted by WBSEDCL, it has paid Rs. 2222.97 lakh towards Income Tax for FY 2020-21.

Accordingly, the Commission admits the amount of Rs. 2,222.97 lakhs paid by WBSEDCL as Income Tax during the year.

3.13 Normative Debt:

3.12.1 WBSEDCL has not claimed any amount as interest on normative debt. No amount under this head was admitted in Tariff Order of 2020-21. Hence, no amount is admitted under normative debt in this APR.

3.14 Principal Repayment of Bonds for Creation of Pension Fund:

3.14.1 In the tariff order for 2020-21, the Commission admitted Rs. 30,600 lakhs towards payment of principal amount of pension bond which was created in terms of Notification No.313-PO/O/III/3R-29/2006 dated 19/09/2008 of Govt of West Bengal. Repayment of such bond is due from 2017-18 in 5 equal annual installments of Rs 30,600 lakhs as per terms of the Govt. of West Bengal Notification.

3.14.2 The Commission vide Paragraph 6.17.3 of the Tariff Order for 2020-21 had directed WBSEDCL to make all the repayments of the bond as due for the respective financial years by 2021-22 and furnish necessary documents in support of such payments along with APR of the respective years.

3.14.3 WBSEDCL vide Para 2.33.2 of their Petition submitted that they had not paid any amount under principal repayment of bond for the year 2020-21 and accordingly has not claimed any amount towards repayment of pension bond. This is also reflected in Note



18A(iii) and 18.2 of the Audited Annual Accounts for the year 2020-21. Accordingly, the Commission admits no amount under this head.

3.15 Income from Non-Tariff Sources:

3.15.1 In the tariff order of 2020-21 a total amount of Rs. 79,198 lakhs was considered towards the estimated earnings of WBSEDCL from other non-tariff sources. WBSEDCL claimed Rs 60,658 lakhs as Income from Non-Tariff Sources in its APR application.

3.15.2 Note 32 of Annual Audited Accounts shows total non-tariff income as Rs 54,924 lakhs. This includes DSM receivable of Rs. 562 lakhs. Since DSM receivable is not considered under non-tariff income, the amount is reduced from receivable. Since the claim amount is reduced from the DSM charges receivable, the Commission admits the claim of Rs. 54,362 (54,924-562) lakhs.

3.15.3 As per Note-33 of annual accounts WBSEDCL has disclosed a total income of Rs 82,925 lakhs and claimed Rs 5001 lakhs as Other General Receipts. The Commission additionally considers the amounts pertaining to Interest income on Staff Loan & Advances (Rs.18 lakhs), Interest from Licensees/Contractors/Consumers (Rs. 1874 lakhs) and Other Provision written back excluding the Provision for DA (Rs. 222 lakhs) as reflected in Note 33A and 33B of the Audited Accounts under this head. Accordingly, the admitted amount under Other General receipts comes to Rs 7115 lakhs (5001 + 18 + 1874 + 222). Interest on Fixed Deposits as claimed amounting to Rs 1295 lakhs and Interest income as per Note 33.3 of the Audited Accounts amounting to Rs. 1869 lakhs are admitted. Accordingly, the total amount claimed vis-à-vis admitted is as depicted below:

Particulars	Claimed (Rs Lakh)	Admitted (Rs Lakh)
Rental from Meters etc.	28,402	28,402
Disconnection/Reconnection Charges	967	967
LPSC	24,346	24,346
Income from job at Consumer Premises	64	64



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Transmission/Wheeling Charges	583	583
Sub-Total	54,362	54,362
Other General Receipts	5,001	7,115
Income from Investment & Bank Balances	1,295	1,295
Interest income from Advance to DPL (Note 33.3 of Audited Accounts)	0	1,869
Total	60,658	62,772

- 3.15.4 The admitted amount of Rs. 62772 lakhs. under this head as discussed above is allocated between generation and distribution function in the ratio of their claim as below.

Table 3.15-1

Expenditure Head	Amount in Rs. Lakhs			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Income from Non-Tariff Sources	60,658.00	1,284.78	61,487.22	62,772.00

3.16 Unscheduled Interchange (UI)/DSM Charges:

- 3.16.1 As per the annual accounts for the year 2020-21, Note No.32, the DSM receivable is Rs. 562 lakhs. In Note No.34A, the amount payable by WBSEDCL towards DSM is Rs. 14,572 lakhs and no arrear amount are to be adjusted; thus net payable is Rs 14,010 lakhs.
- 3.16.2 WSEDCL in their APR application for 2020-21 has claimed the net DSM payable amount of Rs. 14,010 lakhs as expenditure. In line with decision taken in para 2.6.2.6 above, the Commission in this APR order for 2020-21 admits the same under distribution function.
- 3.16.3 The Commission notes that, the DSM charges payable are much higher than the DSM charges receivable from the pool. Considering the fact that, there is large variation in demand during intra-day in WBSEDCL area, the Commission is of the view that, WBSEDCL needs to review their scheduling strategy to minimize the over-drawal from the regional pool. Since this is the APR of 2020-21 and RTM was commenced on 1st of June'20, going forward WBSEDCL needs to take benefit of RTM for procuring power for meeting intra-day variation instead of over-drawing from regional DSM pool.

**3.17 Benefits to be passed on to consumers and other licensees:**

- 3.17.1 WBSEDCL in their APR application for 2020-21 in form 1.24 has calculated Rs 9,616.57 lakhs as gain from power sold to person other than consumer and licensees.
- 3.17.2 It is noted from technical particulars of annual accounts of 2020-21 that WBSEDCL has considered cost of 2,735.20 MU of power sold to persons other than consumer and licensee. In Note 31, revenue from operation, of annual accounts, WBSEDCL has considered an amount of Rs 93,792 lakhs under Sale to trader. In addition to above WBSEDCL has considered Rs 6,778 lakhs, as shown in Note 31 of the annual accounts, as charges for export of power. Based on the submissions of WBSEDCL, provisions of Regulation 5.15.2 (iv) of WBERC (Terms & Conditions of Tariff) (Amendment) Regulations, 2013 and the cost of surplus power considered in chapter -3, the Benefits to be passed on to consumers and other licensees is calculated as follows.

Table 3.18-1

Sl. No.	Particulars	Unit	Details
(1)	Sale of surplus power		
	a) Sale of power to person other than consumer and licensee	MU	2,735.20
	b) Notional sale of power against Swap Out	MU	-
	Total sale A = a + b	MU	2,735.20
(2)	Revenue from sale of surplus power		
	c) From sale of power to person other than consumer and licensee	Rs. Lakhs	93,792.00
	d) From notional sale of power against Swap Out (Note 34A.1 of Appendix-1 of FPPCA Application)	Rs. Lakhs	-
	Total Revenue earned B = c + d		93,792.00
(3)	Cost of surplus power sold		
	e) Cost of power for sale to person other than consumer & licensee (as admitted in table 2.6-2)	Rs. Lakhs	71,925.57
	f) Cost of swap out power (as admitted in table 3.6-2)	Rs. Lakhs	-
	g) other charges for such sale (Rs Lakhs)	Rs. Lakhs	6,778.00



Sl. No.	Particulars	Unit	Details
	Total cost of sale, $C = (e + f + g)$	Rs. Lakhs	78,703.57
(4)	Amount of gain (+)/loss (-) derived from such sale (2-3)	Rs. Lakhs	15,088.43
	Share of benefit with consumers from sale to other than consumers of WBSEDCL @ 50%	Rs. Lakhs	7544.22

3.17.3 In the Tariff Order of FY 2020-21, the Commission considered that the benefits from sale of power to the persons other than its own consumers and licensee will be passed on to the consumers of WBSEDCL on actual basis through APR of the concerned year. Now, the Commission admits the benefit sharing of Rs 7,544.22 lakhs as 50% of the amount of gain of Rs. 15,088.43 lakhs from power sold to persons other than consumers and licensees as proposed by WBSEDCL under distribution function.

3.18 Advance Against Depreciation /Interest Credit:

3.18.1 In terms of the Tariff Regulations, depreciation is primarily used for repayment of capital loan. Where the amount of depreciation falls short of loan repayment amount such shortfall is recouped from advance against depreciation (AAD) limited to 1/10 of original amount of allowable loan. Similarly, when amount of loan repayment in a year is more than allowed depreciation, an interest credit at the rate of weighted average cost of debt for the corresponding year needs to be adjusted on such excess depreciation charged. Further in terms of the Tariff Regulations, it is required to be ensured that the depreciation allowed should not go beyond 90% of the original cost of Asset and after repayment of entire loan the resulting depreciable amount shall be spread over the balance useful life of the fixed asset. The Commission has accordingly, in the APR order for 2019-20 had determined the cumulative amount of 'excess of depreciation over repayment' as on 31.03.2020 amounting to Rs. 1,03,875.76 lakh.

3.18.2 Based on the admitted depreciation and repayment of capital loan, calculation of interest credit is shown in the following table.



Table 3.19-1

Sl no	Details	Amount in Rs. lakhs
1	Depreciation admitted	37,247.00
2	Repayment as per form C	35,516.00
3	Excess fund (3 = 1 -2)	1,731.00
4	Excess of depreciation over repayment in upto 31.03.2020	1,03,875.76
5	Cumulative excess fund available (3+4)	1,05,606.76
6	Rate of int. (Refer para 3.8.1.5 of this order)	9.89%
7	Interest credit	10,444.51

3.18.3 Considering interest rate of 9.89%, the Commission admits Rs.10,444.51 lakhs as the interest credit on depreciation against the claim value of Rs 998.35 lakhs.

3.18.4 The amount admitted towards interest credit is allocated between distribution and generation function in the ratio of depreciation and Rs 2507.73 lakhs and Rs. 7936.78 lakhs is admitted for Generation function and Distribution function respectively.

3.19 Carrying cost of regulatory asset:

3.19.1 WBSEDCL has claimed liability of Regulatory Asset including carrying cost of Rs. 2,16,482.21 lakhs on regulatory assets created by different orders of the Commission at the interest rate as per SBI PLR on 1st April 2013.

3.19.2 It is observed from the petition that WBSEDCL had not to resorted to any additional borrowings to meet up the gap in the absence of release of regulatory assets so claimed, neither has it claimed interest on temporary accommodation in terms of regulation 5.6.5.4 of the Tariff Regulations.

3.19.3 The Commission, accordingly, in line with the provisions of extant regulations decides not to consider any carrying cost on regulatory assets as claimed by WBSEDCL in this order.



3.20 Interest on COVID loan & loan for AMPHAN

- 3.20.1 WBSEDCL has claimed Rs. 5139 lakhs interest on account of COVID loan (Rs 3601 lakhs) and AMPHAN loan (Rs. 1538 lakhs) for year 2020-21. WBSEDCL has submitted that, during AAMPHAN, distribution infrastructure spread over wide area of West Bengal has been seriously damaged. To overcome the situation and restoration of power supply across the network, WBSEDCL had to avail of additional loan for AAMPHAN restoration works. Interest of such loan accounted as Rs. 1,538 lakhs (refer Note. 36.3 of audited annual accounts).
- 3.20.2 Also, WBSEDCL also submitted that it had faced severe challenge to keep power supply un-affected during the prolonged Lock-Down period due to COVID '19' during which time WBSEDCL has suffered a reduction in Revenue collection from Rs 22,158 Crore for the period from 01.04.2019 to 31.03.2020 to Rs. 20,771 Crore during the period from 01.04.2020 to 31.03.2021, i.e., a reduction in revenue collection by Rs. 1,387 crores.
- 3.20.3 WBSEDCL accordingly submitted that in order to match the gap they had drawn Rs 22684 lakh from Power Finance Corporation (PFC) Ltd. Rs.22724 lakh from Rural Electrification Corporation (REC) and Rs. 29800 lakh from Scheduled Commercial Banks respectively, as Covid Loan.
- 3.20.4 The Commission in its Suo Moto Order dated 06.05.2020 in Case No SM-22/20-21 has ordered vide Paragraph 11(c) and 11(d) as below:
- "11 (c) Distribution Licensees shall explore the possibility of short-term borrowing from financial institution at competitive rate for the working capital requirement till 31st July 2020. Additional interest on this account will be considered in addition to normal interest on working capital entitlement during Annual Performance Review (APR) of FY 2020-21."*
- "11 (d) Distribution Licensees shall separately account for the financial impact arising out of this order in their annual account and submit to the Commission at the time of submission of APR of FY 2020-2021."*



- 3.20.5 Accordingly, additional interest on account of COVID loan and AMPHAN loan incurred and claimed as Rs. 5,139 lakhs for the year 2020-21 and disclosed separately in their Audited Accounts of 2020-21 (Note 36.3) is admitted by the Commission in the APR for 2020-21 under distribution function.

3.21 Special Allocation

- 3.21.1 WBSEDCL though its supplementary Petition dated 20.09.2022. submitted that in terms of Notification No. 328/PO/O/C-IV/1E-60/13[Pt-VA] dated 26th December 2018 of the Government of West Bengal, Department of Power & Non-Conventional Energy Sources, WBSEDCL had taken over the distribution business assets of DPL.
- 3.21.2 WBSEDCL further submitted that pursuant to the Govt. of West Bengal Notification No. 244/PO/O/C-IV/1E-60/13 [Pt-VA] dated 23.09.2019 WBSEDCL had entered into a slum sale agreement with DPL for purchase of such assets at a purchase consideration of Rs. 10152.88 lakhs.
- 3.21.3 WBSEDCL submitted that the purchase consideration of Rs.10,152.88 lakhs has been adjusted with the receivable balance of DPL in the year 2020-21 and has claimed such amount to be allowed under Special allocation
- 3.21.4 The Commission observes that clause no 3.3 of the slum sale agreement states “..... An amount of Rs.25461.91 lakhs (Rupees twenty-five thousand four hundred sixty one lakhs) is receivable by the purchaser from DPL on account of net realizable against power purchase and sale as on 31.12.2018. Purchase consideration shall be paid out of the proceeds of that receivables to be realized from DPL and/or financial support to be received from Government of West Bengal.”
- 3.21.5 Further, the Commission also notes that, clause 5.2 of Article 5 of the slump sale agreement (Post Closing Covenants) states: *The Purchaser shall post-closing adopt the regulatory approach as suitable in terms of implementation and keeping in mind the interests of consumers.*”



3.21.6 Accordingly, the Commission, in line with the above stated provisions of the slump sale agreement and in the greater interest of the consumers, decides not to admit the amount as claimed.

3.22 Based on above observations, function wise admitted fixed charges under different heads is summarized in Annexure - 3A.



ANNEXURE - 3A

SUMMARY OF FIXED COST [in Rs Lakhs]

SI NO	Head of ARR	APR Admitted		
		Generation	Distribution	Total
1	Transmission Charge Paid to CTU		1,14,383.00	1,14,383.00
2	Transmission Charge Paid to WBSETCL		1,57,796.00	1,57,796.00
3	POSOCO Charge		259.00	259.00
4	ERPC Charge		16.00	16.00
5	SLDC Charge		1,947.00	1,947.00
6	VARH Charge		1,123.00	1,123.00
7	Total employee cost	4,056.00	1,44,546.00	1,48,602.00
8	Operation and maintenance Expenses			0.00
	a) Operation and Maintenance Expenses for Generation	4335.03	0.00	4,335.03
	b) Repair and maintenance Expenses (Distribution)		20,991.00	20,991.00
	c) Administrative & General Expenses (Distribution)		13,393.00	13,393.00
	d) Lease Rental		766.00	766.00
	e) Expenses for Complaint Management mechanism		341.98	341.98
	f) Insurance	806.04	58.96	865.00
	g) Rates & Taxes	487.41	17,828.23	18,315.64
	h) Cost of outsourcing (distribution)		63,362.36	63,362.36
9	a) Interest on capital borrowings	556.00	54,346.00	54,902.00
	b) Interest on Bond For creation of Pension Fund		5,202.00	5,202.00
	c) Other Financing Charges	73.00	1,420.00	1,493.00
	d) Interest on Security Deposits		22,829.00	22,829.00
10	a) Depreciation	8,943.00	28,304.00	37,247.00
	b) Advance against depreciation			0.00
11	Principal Repayment of Bonds for Pension Fund	0	0	0.00
12	Bad Debt		10044	10,044.00
13	Income Tax		2222.97	2,222.97
14	Reserve for unforeseen exigencies	0	0	0.00
15	Interest on working Capital		0	0.00
16	Net Deviation Charge		14,010.00	14,010.00
17	Other expenses		6.00	6.00
18	Total Expenditure (sum of 1:17)	19,256.48	6,75,195.50	6,94,451.98
19	Normative Return on Equity		37,292.81	37,292.81



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SI NO	Head of ARR	APR Admitted		
		Generation	Distribution	Total
20	Special Allocation		0	0.00
21	Loan on COVID & AAMPCHAN		5,139.00	5,139.00
22	Gross Fixed Cost (18+19+20+21)	19,256.48	7,17,627.31	7,36,883.79
23	a) Less: Total of non-tariff income	1,284.78	61,487.22	62,772.00
	b) Less: Share of benefits with consumers from sale to other than consumers of WBSEDCL		7,544.22	7,544.22
	c) Less: Interest Credit	2,507.73	7936.78	10,444.51
	Total Deductions from Gross Fixed Cost: sum ((a): (c))	3,792.51	76,968.22	80,760.73
24	Net Fixed Cost (22-23)	15,463.97	6,40,659.09	6,56,123.06



Distribution O&M parameters:

ANNEXURE 3B

Inflation Parameters

Particulars	APR Order
WPI	1.30%
CPI	5.20%
WPI: CPI (60: 40)	2.89%

The Commission has considered the above parameters for APR Order of 2020-21.



CHAPTER – 4

AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

4.1 Re-determined allowable fixed charges for generation and distribution functions including retail selling activities of WBSEDCL for the year 2020-21, as summarized in previous chapter, is Rs 6,67,934.56 lakhs with function wise breakup as shown in table 4.1-1 below.

Table 4.1-1

Particulars	Amount (In Rs. lakhs)
Fixed charge admitted for Generation	15,463.97
Fixed charge admitted for Distribution	6,40,659.09
Total Fixed charge admitted	6,56,123.06

4.2 As per Note no. 31 – (Revenue from sale of power) of annual accounts of WBSEDCL for 2020-21, net earnings from sale of energy during the year 2020-21 was Rs. 21,45,287 lakhs which includes the revenue from sale of energy to persons other than consumers and licensees (sale to trader) to the tune of Rs. 93,792 lakhs. Further Rs 6,778 lakhs towards charges for export of power, which has been adjusted in sharing of benefits calculation from sale of power needs to be added back. Thus, the sales revenue earned by WBSEDCL during the year 2020-21 for sale to own consumers and licensees is **Rs 20,58,273.00 lakhs (Rs. 21,45,287 lakhs –Rs. 93,792 lakhs +Rs. 6,778 lakhs)**

4.3 The amount of total allowable variable costs for the year 2020-21 as determined in this order for Fuel and Power Purchase Cost Adjustment (FPPCA) at paragraph 2.8 is **Rs. 16,48,642.63 lakhs.**

4.4 In the Tariff Order for 2020-21, the Commission considered Rs. 284 Lakhs, Rs. 13,542.74 Lakhs, Rs. 92,156.97 Lakhs, Rs. 9,294.98 Lakhs and Rs 54,323.53 lakhs on account of adjustments of APR/ APR Review orders of WBSEDCL for the years 2011 – 12, 2012 - 13, 2013 – 14, 2014 – 15 and 2015 – 16 respectively. Thus, the net allowable Fixed cost comes to **Rs. 8,25,725.28 Lakhs (Rs. 6,56,123.06 Lakhs + Rs. 284.00 Lakhs + Rs. 13,542.74 Lakhs + Rs. 92,156.97 Lakhs + Rs. 9,294.98 Lakhs + Rs 54,323.53 lakhs).**



4.5 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2020-21 works out as shown in table hereunder.

Table 4.5-1

Sl No	Particulars	Amount
		(In Rs. lakhs)
1	Variable cost allowed (vide paragraph 4.3 above)	16,48,642.63
2	Allowable net fixed cost (vide paragraph 4.4)	8,25,725.28
3	Aggregate revenue requirement [3 = (1) +(2)]	24,74,367.91
4	Less: Actual Revenue realized during the year (vide para. 5.2)	20,58,273.00
5	Net amount recoverable [(5) = (3) - (4)]	4,16,094.91

4.6 Regulatory assets realizable from Railways sale in consumer mode:

4.6.1 WBSEDCL vide its supplementary Petition dated 20.09.2022 for APR of FY 2020-21 has submitted that, Indian Railways and WBSEDCL had executed a Power Purchase Agreement (PPA) on 10.06.2022 for purchase of power by Indian Railways as a deemed licensee. The PPA was approved by the Commission vide order dated 23.06.2022 in Case No. PPA – 104/ 21 – 22. In terms of the said PPA, Indian Railways (Eastern Railways) shall pay proportionate share of regulatory asset of WBSEDCL as determined by the Commission in the APR Orders pertaining to the period up to which Railways remains connected as a consumer of WBSEDCL. In this regard, WBSEDCL submitted that the sale of Railways in consumer mode during 2020 – 21 was 826.783 MU against the total sale volume of 29,555.700 MU to all consumers.

4.6.2 The Commission observes that the Indian Railways used to be a consumer of WBSEDCL and was covered under the consumer tariff of WBSEDCL as was determined by the Commission. Subsequently, by virtue of the order of CERC in petition 197/MP/2015 dated 05.11.2015, the Indian Railways has become a deemed licensee. Accordingly, Indian Railways (Eastern Railways) has agreed to purchase power from WBSEDCL as a licensee at a mutually agreed tariff and executed a Power Purchase Agreement between them on 10.06.2022. The PPA was approved by the Commission vide order dated 23.06.2022 in Case



No. PPA – 104/ 20 – 21 under section 86 (1) (b) of the Electricity Act, 2003. Now, in terms of the clause 5.6 of the agreement dated 10.06.2022, the Indian Railways has agreed to bear the proportionate share of regulatory assets for the period during which it was a consumer of WBSEDCL.

4.6.3 The Commission in this order has determined the regulatory asset of Rs. 4,16,094.91 lakhs. During this period, the total sale to consumers by WBSEDCL was 29,555.700 MU out of which sale to Railways was 826.783 MU. Therefore, the proportionate share of regulatory asset to be recovered from Railways during 2020 – 21 comes to Rs. 11,639.72 Lakhs as calculated below:

Respective Year APR Order	Net Amount Recoverable	Total Sale to Own Consumers	Sale to Railways	Proportionate share of railway
APR Order for 2020-21	in Rs. Lakh	in MU	in MU	in Rs. Lakh
	(1)	(2)	(3)	(4) = (1) X (3) / (2)
	4,16,094.91	29,555.700	826.783	11,639.72

4.6.4 It is further observed that WBSEDCL has not proposed for any mechanism regarding recovery of the proportionate regulatory asset from Railways. It is to be noted that the amount of regulatory asset embedded in the tariff is recovered from consumers through-out the year under monthly bills. Similarly, WBSEDCL shall realize the amount from Railways, being a consumer during the period of 2018 – 19 and 2019 – 20, in monthly installments. The amount realized from Railways shall be adjusted with the APR of respective years. WBSEDCL shall maintain a separate record of the amount.

4.6.5 In view of the above, the Commission accords its approval to WBSEDCL to realize Rs. 11,639.72 Lakhs from Railways on account of proportionate share of regulatory asset for the year 2020 – 21 in terms of clause 5.6 of the agreement dated 10.06.2022 in 12 equal monthly installments along with the monthly bills prospectively.

4.6.6 WBSEDCL is directed to reflect the amount so received from Railways appropriately in its Annual Accounts which is to be adjusted during APR of the respective years.



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4.7 In terms of regulation 2.6.6 of the Tariff Regulations, the balance recoverable amount of **Rs. 4,04,455.19 lakhs (Rs. 4,16,094.91 lakhs – Rs. 11,639.72 lakhs)** or a part thereof shall be adjusted with the Aggregate Revenue Requirement of one or more ensuing year(s) tariff order or through a separate order, as may be decided by the Commission.

4.8 WBSEDCL is to take a note of this order.

4.9 A copy of the order shall be posted in the website of the Commission.

4.10 WBSEDCL 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.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(MALLELA VENKATESWARA RAO)
CHAIRPERSON

DATED: 29.03.2023

Sd/-
SECRETARY

