



ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY
COMMISSION

IN CASE NO.: APR – 74 / 19 – 20

IN RE THE APPLICATION OF
HALDIA ENERGY LIMITED
FOR ANNUAL PERFORMANCE REVIEW
FOR THE FINANCIAL YEAR 2014 – 2015

DATE: 30.06.2022



Chapter 1

PREAMBLE

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time (hereinafter referred to as the 'Tariff Regulations'), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). The Commission, vide Order dated 29 January 2016 in Case No. TP - 63/14-15 (hereinafter referred to as the "Tariff Order"), determined the annual transmission charges recoverable by the Petitioner for the years 2014-15 (for the period of commercial operation), 2015-16 and 2016-17. In this Tariff Order, the Commission enunciated that the transmission charges for the relevant years were determined after carrying out prima facie prudence check of the project cost, at an intermediate position, of Rs. 57310 lakh and considering this project cost with the minimum withholding (5%) in terms of the Tariff Regulations. Relevant extract of the order is quoted below.

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6.0 *In view of the above, the Commission decides to grant transmission tariff to HEL for its 400 kV double circuit dedicated transmission line considering 95% of the project cost as claimed by HEL subject to pending determination of final tariff on the basis of the final project cost to be approved by the Commission as per provisions of the Tariff Regulations.*

7.0 *After carrying out prima-facie prudence check, the Commission at present allows annual transmission charges for the years 2014 – 2015 to 2016 – 2017 in respect of 400 kV double circuit dedicated evacuation line of HEL as under:*

Particulars	Unit	Year		
		2014 – 2015 (for the period of commercial operation)	2015-16	2016-17
Annual transmission charge recoverable by HEL	Rs. In lakh	2052.00	9413.00	11401.00



- 8.0 *The above annual transmission charges are subject to adjustment through Annual Performance Review (in short 'APR') as per regulation 2.6 of the Tariff Regulations based on the final Project cost to be approved by the Commission as per provision of the Tariff Regulations."*
- 1.2 HEL submitted a petition on 30th January 2018 before the Commission for determination of the final project cost for the Evacuation System.
- 1.3 Thereafter, the Commission, vide its communication dated 19 December 2018 (ref. WBERC/TP-63/14-15/3218), directed the HEL to submit APR petitions for all the relevant years on the basis of cost of the Evacuation System submitted before the Commission.
- 1.4 Accordingly, Haldia Energy Limited (hereinafter referred to as 'HEL') submitted their application for Annual Performance Review for 2014 - 2015 on 30.04.2019. HEL has submitted their application of APR for first year of the fourth control period, i.e., for 2014 - 2015. The review of this instant application on the basis of the audited annual report and accounts of HEL for 2014 - 2015 with reference to the Commission's tariff order dated 29.01.2016 of HEL in Case No. TP- 63/14-15 will result into adjustment of different heads. The net adjustment arising out of such adjustment on different heads will be considered for giving effect while determining the amount of revenue recoverable through tariff order of further ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.5 The APR covers the areas of permissible annual fixed charges determination to the applicant, and permissible incentives. The dedicated transmission line has been commercially operational since 28 January 2015, accordingly in the APR for the year 2014 - 2015, 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 permitted to HEL.
- 1.6 The APR application was admitted on 16.09.2021 by Commission. The Commission vide Communication no WBERC/APR-74/19-20/1163 dated 22.09.2021 has directed HEL to publish the approved gist and accordingly gist was published on 28.09.2021 in Bartaman, Aajkaal, Dainik Vishwamitra and The Telegraph.



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- 1.7 No suggestion / objection was received from the stake-holders within 21 days from the date of publication of the gist.
- 1.8 The Commission issued further queries vide letter no WBERC/APR-74/19-20/ 1380 dated 22-11-2021. Against which HEL has replied vide their letter no HEL-F/2021/158 dated 01-12-2021.



Chapter 2

FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the ARR for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amount of actual expenses/ charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be.

2.2 The final project cost of the Evacuation System of Rs. 540.36 Crore has been approved by the Commission vide its Order dated 8 January 2020 passed in Case No. OA-267/17-18/5268. Commission proceeds to determine APR for 2014-15 on the basis of Project cost of Evacuation System at Rs 540.36 Crore in this order.

The cost considered on different heads of fixed cost is related to the period post COD till end of the financial year.

2.3 Transmission System Availability:

2.3.1 The Commission has specified the Norms for Availability of Transmission System in item (1) of paragraph E of Schedule -9D of the Tariff Regulations. This norm for AC system is 98%.

2.3.2 HEL achieved an availability of 99.96% and has furnished a certificate from SLDC with the petition.

2.4 The Commission passed tariff order for the period 2014-15 to 2016-17 on 29.01.2016 vide case No: TP-63/14-15. No detailed head wise breakup of cost has been considered in the tariff order for the year 2014 – 2015.

The permitted amount of expenses/ charges under such different heads of accounts are being determined after prudent check under Annual Performance Review are being computed out in the following paragraphs.



2.5 Employee Cost:

2.5.1 Employee cost has elements like salaries, wages, allowances, contribution to P.F. etc. as well as Staff Welfare expense. Employee cost details are furnished in Auditors' Certificates. As per Attachment 1 of the APR petition (Auditors' certificate), an amount of Rs. 642.4 lakhs for 2014-15 pertains to Employee cost where Rs. 636.7 lakhs is for Generation and Rs. 5.7 lakhs is for Evacuation system. Thus, the total amount claimed is Rs 5.7 lakh on dedicated transmission line.

2.5.2 In the year 2014 – 2015 the number of employees in HEL is 4 (provided through Form 1.17(h)) against the total transmission line of 89 CKM. Thus, the employee per CKM is 0.02. This is well within the recommended norms of 0.35 as specified in Para L of Schedule – 9A of the Tariff Regulations. As the man /CKM ratio is being satisfied, Commission admits the uncontrollable item of Employee cost of Rs. 5.7 lakh on prudence check.

TABLE 2A: Employee Cost

Rs. in Lakh

Sl. No.	Particulars	Amount claimed in APR 2014-15	As admitted in APR 2014-15
1	Employee cost	5.7	5.7

2.6 Operation and Maintenance (O&M) Expenses:

2.6.1 HEL has submitted total O&M expenses including repair & maintenance cost, A&G expenses, insurance and rates & taxes as Rs. 96.20 Lakhs. The O&M expenses being controllable element, the Commission finds it suitable to admit the overall O&M expenses up to the normative expenses allowed under CERC Tariff Regulations for the year 2014-15 as below:

**TABLE 2B: O&M Expenses**

PARTICULARS		2014-15-CERC NORMS	
			Amount in Rs. Lakhs
S/S-400 KV Bays -No	4	60.3 Rs. Lakhs per bay	241.2
Transmission Line Km	89	0.707 Rs. Lakhs per KM	62.923
		Sub-total	304.12
		Proportionate for 63 days	52.49
		Less Employee cost	5.70
		NET O&M EXP	46.79

2.6.2 The normative O&M expenses specified in the CERC Tariff Regulations includes the expenditure on manpower, repairs, maintenance spares, consumables, insurance and overheads. As the employee cost amounting to Rs. 5.70 Lakhs has already been allowed in Para 2.5 as enumerated above, the Commission decides to allow the balance amount Rs. 46.79 Lakhs as overall O&M expenses inclusive of repair & maintenance cost, A&G expenses, insurance and rates & taxes.

2.7 Statutory Charges:

Statutory charges have been claimed by HEL as Rs.0.2 Lakhs. The actual expenditures on this account as per Auditors' certificate has been admitted by the Commission, after prudence check.

2.8 Interest on Borrowed Capital:

HEL claimed an amount of Rs 689.2 Lakh as interest on borrowed capital. HEL submitted the computations in prescribed Form C of Annexure-I of the APR petition for the amounts of interest actually paid. HEL has also furnished an auditor's certificate for interest cost with detailed interest incurred in capital and revenue account. Interest on capital borrowings has been allowed after prudence check of loan details furnished in Form – C. The APR application was based on a project cost of Rs. 590.87 Crore. However, the project cost approved by the Commission was Rs. 540.36 Crore. Accordingly, the admissible debt based on approved project cost is Rs 39019 lakhs (Rs 54036 lakhs – Rs 15017 lakhs of Equity Base). The Equity Base is within the permissible limit of 30% of the Project Cost. The annual interest paid as per form C is as per following Table:

**Table 2C: Annual Interest Calculation**

In Rs lakh				
Loan Sources	Opening Balance	Closing Balance	Average Balance	Interest Paid
IDBI	4315.6	4315.6	4315.6	79.7
SBI	6701.3	6701.3	6701.3	128.8
UBI	4020.8	4020.8	4020.8	71.8
CENTRAL BANK	2720.7	2720.7	2720.7	49.5
BANK OF BARODA	3994.0	5334.2	4664.1	92.6
PNB	5026.0	5026.0	5026.0	91.9
ICICI	2412.5	2412.5	2412.5	44.1
BUYERS CREDIT	9003.6	7372.9	8188.3	99.4
ICICI-ECB	2177.3	2177.3	2177.3	31.3
Total			40226.6	689.1

Based on the interest paid on capital expenditure, the proportionate interest on Rs 39019 lakhs has been calculated as per following Table 2D:

TABLE 2D: Computation of admissible Interest

SI No	Particulars	Rs lakhs
1	Approved Project Cost	54036
2	Equity as per Form 1.20(a)	15017
3	Admissible Debt Amount (1-2)	39019
4	Interest on loan as per petition in Form C	689.1
5	Actual amount of average loan in the year	40226.6
6	Proportionate Interest on admissible debt Cost (4 × 3/5)	668.4
17	Admitted Interest on Borrowings for 2014-15	668.4

2.9 Interest on Temporary Accommodation

HEL has claimed interest on normative loan for the year 2014– 2015 at an amount of Rs. 7.1 lakh. In form 1.17 (a), HEL has provided detailed loan balance and interest on temporary accommodation for the year as follows

**TABLE 2E: Interest on Temporary Accommodation claimed** **Rs. In lakhs**

Sl. No.	Particular	2014-15
1	Opening Balance	-
2	Closing Balance	630.8
3	Average Balance	315.2
4	Interest claimed	7.1
5	Interest rate	13%

HEL has also submitted the computations in prescribed Form C of Annexure-I of the APR petition for the amount of interest actually incurred. It is observed that the actual interest incurred is nil. Thus, for interest on temporary accommodation, the interest has been limited to actual interest incurred, being less than the normative amount as claimed.

TABLE 2F: Interest on Temporary Accommodation admitted **Rs. In lakhs**

Sl. No.	Particulars	Amount claimed in APR 2014-15	Amount claimed in Form C	As admitted in APR 2014-15
1	Interest on Temporary Accommodation	7.1	0	0

2.10 Interest on Working Capital

The weighted average rate of actual interest of 13% as mentioned by HEL in point 2 of Notes on Expenditure including other expenses centrally maintained on working capital is found to be less than that of the Prime lending Rate (PLR) of 14.75% of SBI as on 01.04.2014. Now, in terms of regulation 5.6.5.1 of the Tariff Regulations, the Commission proceeds to determine the normative amount of interest on working capital as in table below:

**TABLE 2G: Interest on Working Capital**

Rs. In Lakhs		
SI No	Particulars	Amount
A	Gross Sales excluding working capital interest	1394.99
B1	Less: Depreciation including Advance Depreciation	241.2
B2	Less: Deferred Revenue Expenditure	
B3	Less: Return on Equity	401.8
B4	Less: Reserve for unforeseen exigencies	0.00
B	Total Deductions: (sum B1:B4)	643.0
C	Allowable Gross Sales for Working Capital (excluding working capital Interest) (A-B)	751.99
D	Allowable Working Capital @ 18% on C	135.36
E	Interest at State Bank Short Term PLR rate or at actual rate of borrowing, whichever is less	13%
F	Interest on Working Capital (E % on D)	17.60
G	Actual interest paid	18.5
H	Interest on Working Capital admitted (Minimum of F & G)	17.60

Thus, for interest on working capital, the interest has been limited to normative figure.

TABLE 2H: Interest on Working Capital admitted

Rs. In Lakh				
Sl. No.	Particulars	Amount claimed in APR 2014-15 form 1.17(b)	Amount claimed in Form C as actual paid	As admitted in APR 2014-15
1	Interest on Working Capital	20.7	18.5	17.60

2.11 Other Finance Charges

The finance charges as furnished in form 1.17(c) of petition pertaining to Evacuation System is Rs. 20.7 Lakhs. Overall charges under this head of Rs. 310.7 Lakh has been allocated in the ratio of approved fixed cost of generation and evacuation in petition for the FY 2014-15 vide WBERC Order dated 29.01.2016 in Case No. TP- 64/14-15 and in Case No. TP-63 /14-15 for applicable components of overall charges as explained by HEL through the communication dated HEL-F/2021/158 dated 01-12-2021 which is quite reasonable. The admitted amount of other finance charges is as in the following table.

**TABLE 2I: Other Finance Charges**

Rs. In Lakh			
Sl. No.	Particulars	Amount claimed in APR 2014-15	As admitted in APR 2014-15
1	Other Finance Charges	20.7	20.7

2.12 Foreign Exchange Rate Variation

FERV is an uncontrollable item as per Table 2.5.5-1 of Regulation 2.5.5 of Tariff Regulations.

The Commission decides to admit the total amount of Rs. 10.2 lakh towards FERV as per form 1.17(d) of the petition.

TABLE 2J: Foreign Exchange Rate Variation

Rs. In Lakh			
Sl. No.	Particulars	Amount claimed in APR 2014-15	As admitted in APR 2014-15
1	Foreign Exchange Rate Variation	10.2	10.2

2.13 Depreciation

The amount of depreciation as claimed by HEL is provided in Form B of Annex I. Further details with respect to reconciliation with Annual Accounts have been furnished in Auditors' certificate at Attachment 6 of the petition where it has been mentioned specifically that depreciation has been calculated as per Schedule A in Annexure A of Tariff Regulations of WBERC. The Commission decides to go by the amount of depreciation as claimed after incorporating appropriate reduction on account of reduced project cost. The APR application was based on a project cost of Rs. 590.87 Lakhs. However, the project cost approved by the Commission was Rs. 540.36 Crore. Thus, after prudence check Rs 241.2 Lakhs has been allowed ($263.8 \times 540.36 / 590.87$).

As per above discussion the depreciation as allowed by the Commission are as follows

TABLE 2K: Depreciation

Sl No.	Particulars	Rs lakhs
1	Depreciation of Evacuation assets	263.8
2	Project cost approved in order dated 08.01.2020	54036



SI No.	Particulars	Rs lakhs
3	Fixed assets as submitted in form 1.18	59087
4	Depreciation admitted (1/3*2)	241.2

2.14 Interest credit on depreciation

For the year 2014-15 depreciation as allowed by the Commission is Rs. 241.2 Lakh. No loan repayments were done for the year as evident from Form C. The interest credit on depreciation works out to Rs. 4.30 Lakh.

TABLE 2L: Interest Credit on Depreciation

SL No	Particulars	Rs. In lakhs	
		Claimed	Allowed
1	Depreciation as per Form B	263.80	241.2
2	Repayment as per Form C	-	-
3	Excess Fund created (1-2, if 1>2)	-	241.2
4	Weighted average rate of interest of existing loan	-	10.25%
5	Interest Credit for 63 days of operation	-	4.30

2.15 Return on Equity

Return on Equity had been claimed on equity arranged upfront on COD of amount Rs 15017 lakhs. and did not change over the years. The Equity contribution of 27.8% is within the limit of 30% stipulated through regulations considering approved project cost of Rs 54036 Lakhs. Thus, the return on equity for the period after COD on the value of Rs 15017 lakhs has been calculated as per following formula which is:

TABLE 2M: Return on Equity

SI No	Particulars	Rs In lakhs
		2014-15
1	Average Equity base throughout the year	15017
2	The computed ROE @ of 15.5% on (1) as per regulation 5.6.1.1 of Tariff Regulations for one year	2327.6
3	The computed ROE for 63 days from day of COD	401.8

**Table 2N: Return on Equity admitted**

Rs. In lakhs			
Sl. No.	Particulars	Amount claimed in APR 2014-15	As admitted in APR 2014-15
1	ROE	401.8	401.8

2.16 Appropriation to Reserve for Unforeseen Exigencies

No amount on account of reserve for unforeseen exigencies has been allowed in the APR for 2014 – 2015.

Table 2O: Reserve for Unforeseen Exigencies Admitted

Rs. In lakhs			
Sl. No.	Particulars	Amount claimed in APR 2014-15	As admitted in APR 2014-15
1	Special Allocations (Reserve for unforeseen exigencies)	25.5	0

2.17 Tax on Income

Being the first year of operation, no income tax has been claimed for the year.
HEL has duly submitted for Income Tax assessment order for the year which reveals no income tax as payable for 2014-15.

Table 2P: Tax on Income

Rs In lakhs			
Sl. No.	Particulars	Amount claimed in APR 2014-15	As admitted in APR 2014-15
1	Tax	0.00	0.00

2.19 Permitted Incentive

HEL has claimed incentive of Rs 3.3 lakhs. HEL has submitted a certificate from SLDC for availability of the dedicated transmission line. Para 8 Schedule -10 of the Tariff



Regulation provides for incentives for improved performance in case the actual availability exceeds 99.75%. Actual availability achieved for 2014-15 by HEL evacuation system, as certified by SLDC, stands at 99.96%. The Commission decides to make appropriate adjustments on account of reduced project cost and allow the following after prudence check.

Table 2Q: Incentive for additional availability based on revised Annual Transmission charges

Particulars	Units
Annual Availability	99.96%
Target Availability	99.75%
Excess availability over target, if >0	0.21%
Annual Transmission Charges (Rs. Lakh)	1408.29
Incentive admitted for additional availability (Rs. Lakh)	3.0

2.20 The detailed Fixed Cost is provided in Annexure-2A.

Annexure -2A

Rs. In Lakh			
SL. No.	Particulars	Claimed in APR Petition	Now admitted in APR
1	Operation & Maintenance Expenses		
i.	Repairs & Maintenance including Consumables	11.5	46.79
ii.	Legal Charges	0.1	
iii.	Auditors Fees	0.7	
iv.	Other Administrative & General Charges	70.1	
v.	Rent	0	
vi.	Rates & Taxes (other than Income Tax)	0.4	
vii.	Insurance	13.4	
2	Statutory charges	0.2	0.2
3	Employee Cost	5.7	5.7
4	Corporate Social Responsibility	0	0
5	Interest on Capital Borrowings	689.2	668.4



SL. No.	Particulars	Claimed in APR Petition	Now admitted in APR
6	Interest on Temporary Accommodation	7.1	0
7	Foreign Exchange Rate Variations (FERV)	10.2	10.2
8	Other Finance Charges	20.7	20.7
9	Depreciation	263.8	241.2
10	Advance against Depreciation	0.0	0.0
11	Returns on Equity	401.8	401.8
12	Reserve for Unforeseen Exigencies	25.5	0
13	Income Tax	0	0
14	Fixed Charges (1 to 13)	1520.4	1394.99
15	Interest on Working Capital	20.7	17.60
16	Gross Fixed Charge (14+15)	1541.1	1412.59
17	Interest Credit on Depreciation	-	4.30
18	Net Fixed Charges (16-17)	1541.1	1408.29

**Chapter 3****AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW****3.1 Fixed charges**

3.1.1 Based on the foregoing analyses, the amount of fixed charges allowable under different heads in respect of the concerned evacuation line have been shown in Annexure -2A. The total amount of fixed charge is Rs 1408.29 lakh

3.1.2 The above capacity charge is, however, recoverable at the level of Availability achieved by the Transmission line.

3.2 Availability Achieved

3.2.1 As it comes out from the submission of HEL, the actual annual availability achieved during 2014-15 was higher in comparison to norms set for the year. HEL has submitted a certificate from SLDC for availability of the dedicated transmission line wherein the availability achieved is 99.96% as against a norm of 98%.

3.3 Capacity charge admitted

3.3.1 HEL has claimed re-determined capacity charge on the ground of adjustment of Rs 30.8 lakhs as per availability achieved over the norms achieved during the year 2014-15 following the of regulation 6.16.3 of the Tariff Regulations. But according to clause (iii) of regulations 6.16.3 of Tariff Regulations no adjustment can be allowed further for excess availability beyond the norms as total fixed charge is recoverable at the normative parameter. Thus, Commission does not allow such claim of HEL for further adjustment.

3.3.2 Thus, the revenue recoverable is as per the following table:

Table 3A: Revenue Recoverable after adjustment of incentive**Rs In lakhs**

SL. No.	Particulars	Claimed in APR Petition	Now admitted in APR
1	Net fixed charge	1541.1	1408.29
2	Incentive	3.3	3.00
3	Revenue Recoverable	1544.4	1411.29



- 3.4 The re-determined amount of fixed charges of HEL for the year 2014 – 2015 comes to Rs. 1411.29 lakh which may be considered as realizable revenue from operation of HEL for 2014 – 2015.
- 3.5 The Commission is now to see how much revenue had been earned by HEL by way of transmission charges with reference to its audited accounts. It is seen from note 2.18 to the annual report and accounts 2014 – 2015 that the earnings from the sale of electricity was 17163.8 lakh. This amount includes the earnings from transmission as well. The earnings from transmission as submitted through Form 1.25 is Rs. 918.6 lakh. Thus, actually an amount of Rs. 918.6 lakh has been realized for the year 2014 – 2015.
- 3.6 As it comes out from the findings in paragraph above, HEL has an under-recovery of Rs. 492.69 lakh as given below:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Approved realizable revenue admitted in APR for 2014 – 15	1411.29
2.	Actual amount of revenue from operation realized for the year 2014 – 2015 as per paragraph 3.5 of this order	918.60
3.	Additional net revenue amount to be recovered for 2014 – 15	492.69

In terms of the Tariff Regulations, the under recovery of Rs. 492.69 lakh or a part thereof may be adjusted with the amount of Aggregate Revenue Requirement for the subsequent period or that for any other ensuing year or through a separate order, as may be decided by the Commission.

- 3.7 HEL is directed to comply with the directions given in the preceding chapter of this order.
- 3.8 HEL is to take a note of this order.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

DATED: 30.06.2022

Sd/-
SECREARY