



सत्यमेव जयते



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

**IN CASE NO.: APR – 75 / 19 – 20**

**IN RE THE APPLICATION OF  
HALDIA ENERGY LIMITED  
FOR ANNUAL PERFORMANCE REVIEW  
FOR THE FINANCIAL YEAR 2015 – 2016**

**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 (Terms and Conditions of Tariff) Regulations, 2011, as amended (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.

" .....

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 2<sup>nd</sup> 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 2015 - 2016 on 30.04.2019. HEL has submitted their application of APR for second year of the fourth control period, i.e., for 2015 - 2016. The review of this instant application on the basis of the audited annual report and accounts of HEL for 2015 - 2016 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 2015 - 2016, 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 10.11.2020 by the Commission. The Commission vide Communication no WBERC/APR-75/19-20/6236 dated 12.11.2020 has directed HEL to published the approved gist and accordingly gist was published on 18.11.2020 in Bartaman, Aajkaal, Dainik Sanmarg and Times of India.



- 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-75/19-20/1381 dated 22-11-2021. Against which HEL has replied vide their letter no HEL\_F/2021/159 dated 1-12-2021.



## 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. The Commission proceeds to determine APR for 2015-16 on the basis of Project cost of Evacuation System at Rs 540.36 Crore in this order.
- 2.3 **Transmission System Availability:**
  - 2.3.1 The Commission has specified the Norms for Availability of Transmission System in para E (1) of Schedule -9D of the Tariff Regulations. This norm for AC system is 99%.
  - 2.3.2 HEL achieved an availability of 99.80% 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 2015 – 2016.

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. Details of Employee cost are furnished in



Auditors' Certificates. As per Attachment 1 of the APR petition (Auditors' certificate), an amount of Rs. 2616.20 lakh for 2015-16 pertains to employee cost where Rs. 2576 lakh is for generation and Rs. 40.2 lakh is for evacuation system. Thus, the total amount claimed is Rs 40.2 lakh on dedicated transmission line.

- 2.5.2 In the year 2015-16 the number of employees in HEL is 6 (provided through Form 1.17(h)) against the total transmission line of 89 CKM. Thus, the employee per CKM is 0.03. 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, The Commission admits the uncontrollable item of Employee cost of Rs. 40.2 lakh on prudence check.

**TABLE 2A: Employee Cost**

Sl. No.	Particulars	Rs. in Lakh	
		Amount claimed in APR 2015-16	As admitted in APR 2015-16
1	Employee cost	40.2	40.2

## 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. 502.20 Lakhs. The O&M expenses being controllable element, the Commission, in the absence of any specific norms in the regulation, finds it suitable to admit the overall O&M expenses upto the normative expenses allowed under CERC Tariff Regulations for the year 2015-16 as below:

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

PARTICULARS		2015-16-CERC NORMS	
			Amount in Rs. Lakhs
S/S-400 KV Bays -No	4	62.3 Rs. Lakhs per bay	249.20
Transmission Line Km	89	0.731 Rs. Lakhs per KM	65.06
		Sub-total	314.26
		Less Employee cost	40.20
		<b>NET O&amp;M EXP</b>	<b>274.06</b>

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 has already been allowed amounting to Rs. 40.20 Lakhs in Para 2.5 as enumerated above, the Commission decides to allow the balance amount Rs. 274.06 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.3.50 lakh. The actual expenditures on this account as per Auditors' certificate has been admitted by the Commission, after prudence check.

## 2.8 Corporate Social Responsibility:

The claim of Rs. 10.5 lakh has been filed by HEL towards Corporate Social Responsibility. This has not been allowed since the same is an allocation of profit and a statutory obligation.

## 2.9 Interest on Borrowed Capital:

HEL claimed an amount of Rs 4913.0 Lakh as interest on borrowed capital after due capitalization for interest credit. 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 have been allowed after prudence check of loan details furnished in Form – C. The APR application was based on a project cost of Rs. 594.02 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 which is within 30% of the approved project cost). The annual interest paid as per form C is as per following Table

**Table 2C: Annual Interest Calculation**

Loan Sources	Opening Balance	Closing Balance	Average Balance	Interest Paid
IDBI	4315.6	9163.6	6739.6	957.8
SBI	6701.3	6545.4	6623.4	728.6
UBI	4020.8	3927.3	3974.1	449.8
Central Bank	2720.7	2683.6	2702.2	304.7
Bank of Baroda	5334.2	5301.8	5318	606.9
PNB	5026.0	4909.1	4967.6	568.3
ICICI	2412.5	6382.5	4397.5	743.8
IIFCL	0	2445.9	1223	218.5
Buyers Credit	7373.2	0	3686.6	126.4
ICICI-ECB	2177.3	2177.3	2177.3	216.4
Total			41809.3	4921.2

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	4921.2
5	Actual amount of average loan in the year in Form C	41809.3
6	Proportionate Interest on admissible debt Cost ( $4 \times 3/5$ )	4592.8
17	Admitted Interest on Borrowings for 2015-16	4592.8



## 2.10 Interest on Temporary Accommodation

HEL has claimed interest on normative loan for the year 2015– 2016 at an amount of Rs. 177.2 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	2015-16
1	Opening Balance	630.8
2	addition during the year	1607.7
3	Closing Balance	2238.6
4	Average Balance	1434.7
5	Interest claimed	177.2
6	Interest rate	12.35

HEL has also submitted the computations in prescribed Form C of Annexure-I of the APR petition for the amounts 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 2015-16	Amount claimed in Form C	As admitted in APR 2015-16
1	Interest on Temporary Accommodation	177.2	0	0

## 2.11 Interest on Working Capital

The weighted average rate of actual interest of 12.35% as mentioned 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 01.04.2015. 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	2015-16
A	Gross Sales excluding working capital interest	9472.76
B1	Less: Depreciation including Advance Depreciation	1397.8
B2	Less: Deferred Revenue Expenditure	
B3	Less: Return on Equity	2327.6
B4	Less: Reserve for unforeseen exigencies	0.0
B	Total Deductions: (sum B1:B4)	3725.4
C	Allowable Gross Sales for Working Capital (A-B)	5747.36
D	Allowable Working Capital @ 18% on C (A - B)	1034.52
E	Interest at State Bank Short Term PLR rate or at actual rate of borrowing, whichever is less	12.35%
F	Interest on Working Capital (E % on D)	127.76
G	Actual interest paid	181.5
K	Interest on Working Capital admitted (Minimum of F & G )	127.76

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

**TABLE 2H: Interest on Working Capital admitted****Rs. In Lakh**

SI. No.	Particulars	Amount claimed in APR 2015-16	Amount claimed in Form C	As admitted in APR 2015-16
1	Interest on Working Capital	150.5	181.5	127.76

## 2.12 Other Finance Charges

The finance charges as furnished in form 1.17(c) of the petition pertaining to Evacuation System is Rs. 33.3 Lakhs. Overall charges under this head of Rs. 304.7 Lakh has been allocated in the ratio of approved fixed cost of generation and evacuation petition for the FY 2015-16 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 01-12-2021. The admitted amount of other finance charges is as under in Table 2I.

**TABLE 2I: Other Finance Charges**

Sl. No.	Particulars	Rs. In Lakh	
		Amount claimed in APR 2015-16	As admitted in APR 2015-16
1	Other Finance Charges	33.3	33.3

### 2.13 Depreciation

The amount of depreciation of Rs 1536.6 Lakhs 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 amounts 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. 594.02 Lakhs. However, the project cost approved by the Commission was Rs. 540.36 Crore. Thus, after prudence check, depreciation amount of Rs 1397.8 Lakhs ( $\text{Rs } 1536.6 \text{ lakh} \times \text{Rs } 540.36 \text{ Cr} / \text{Rs } 594.02 \text{ Cr}$ ) has been admitted.

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

**TABLE 2J: Depreciation**

Sl No.	Particulars	Rs. In lakhs
		2015-16
1	Depreciation of Evacuation assets	1536.6
2	Project cost approved in order dated 08.01.2020	54036
3	Fixed assets as submitted in form 1.18	59402
4	Depreciation admitted $((1 \div 3) \times 2)$	1397.8

### 2.14 Interest credit on Depreciation

Interest credit claimed by HEL in the petition is Rs.62.5 lakh. Appropriate adjustment in interest credit on depreciation has been done and the following has been allowed after prudence check



The Commission decides to admit the total amount of Rs. 59.9 lakh.

**TABLE 2K: Interest credit on Depreciation**

SL No	Particulars	Rs. In Lakh	
		Claimed	Allowed
1	Depreciation	1536.6	1397.8
2	Repayment	926.5	813.1
3	Excess Fund created (1-2, if 1>2)	610.1	584.7
4	Weighted average rate of interest of existing loan	10.25%	10.25%
5	Interest Credit Admitted	62.5	59.9

# Proportionate repayment to the admitted loan amount is considered.

## 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 claimed of 2327.6 Lakhs on the value of Rs 15017 lakhs has been admitted as it is found to be satisfactory as per following calculation:

**TABLE 2L Return on Equity**

SI No	Particulars	Rs In lakhs
		2015-16
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.	2327.6

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

Sl. No.	Particulars	Rs. In lakhs	
		Amount claimed in APR 2015-16	As admitted in APR 2015-16
1	ROE	2327.6	2327.6

## 2.16 Appropriation to Reserve for Unforeseen Exigencies

No amount on account of reserve for unforeseen exigencies has been allowed in the APR for 2015 – 2016.

**Table 2N: Reserve for Unforeseen Exigencies Admitted**

Sl. No.	Particulars	Rs. In lakhs	
		Amount claimed in APR 2015-16	As admitted in APR 2015-16
1	Special Allocations (Reserve for unforeseen exigencies)	147.7	0

**2.17 Tax on Income**

HEL has claimed Rs 803.6 lakhs in income tax. Based on the additional information and the Assessment Order submitted by HEL, the Commission, after prudence check allows the same.

**Table 2O: Tax on Income**

Sl. No.	Particulars	Rs. In lakhs	
		Amount claimed in APR 2015-16	As admitted in APR 2015-16
1	Tax	803.6	803.6

**2.19 Permitted Incentive**

HEL has claimed incentive of Rs 5.3 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 actual availability exceeds 99.75%. Actual availability achieved for 2015-16 by HEL evacuation system, as certified by SLDC, stands at 99.80%. The Commission decides to make appropriate adjustments on account of reduced project cost and allow the following after prudence check.

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

Particulars	Units
Annual Availability (A)	99.80%
Target Availability (B)	99.75%
Excess availability over target, if >0	0.05%
Annual Transmission Charges (ARR) (Rs. In Lakhs)	9540.59
Incentive admitted for additional availability (Rs. In Lakhs)	4.78



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

### Annexure -2A

Rs. Lakh

SL. No.	Particulars	Claimed in APR Petition	Now admitted in APR
1	Operations & Maintenance Expenses		
i.	Repairs & Maintenance including Consumables	288.7	274.06
ii.	Legal Charges	4.7	
iii.	Auditors Fees	0.7	
iv.	Other Administrative & General Charges	120.1	
v.	Rent	0.0	
vi.	Rates & Taxes (other than Income Tax)	7.2	
vii.	Insurance	80.8	
2	Corporate Social Responsibility	10.5	0.00
3	Statutory charges	3.5	3.5
4	Employee Cost	40.2	40.2
5	Interest on Capital Borrowings	4913.0	4592.80
6	Interest on Temporary Accommodation	177.2	0.0
7	Other Finance Charges	33.3	33.3
8	Depreciation	1536.6	1397.8
9	Returns on Equity	2327.6	2327.6
10	Reserve for Unforeseen Exigencies	147.7	0.0
11	Income Tax	803.5	803.5
12	<b>Fixed Charges (1 to 12)</b>	<b>10495.30</b>	<b>9472.76</b>
13	Interest on Working Capital	150.5	127.76
14	<b>Gross Fixed Charges (12+13)</b>	<b>10645.8</b>	<b>9600.52</b>
15	Less: Interest credit on Depreciation	62.5	59.94
16	<b>Net Fixed Charges (14-15)</b>	<b>10583.30</b>	<b>9540.59</b>

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

3.1.1 Based on the foregoing analyses, the amounts 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 9,540.59 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 2015-16 was higher in comparison to norms set for the year, resulting in under-recovery of capacity charges.

3.2.2 HEL has submitted a certificate from SLDC for availability of the dedicated transmission line wherein the availability achieved is 99.80% 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 195.5 lakhs as per availability achieved over the norms during the year 2015-16 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, the Commission does not allow such claim of HEL for further adjustment.

3.3.2 Thus, the revenue recoverable is as per 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	10583.30	9540.59
2	Add: Incentive	5.3	4.78
3	Revenue Recoverable	10588.60	9545.37



- 3.4 The re-determined amount of fixed charges of HEL for the year 2015 – 2016 comes to Rs. 9545.39 lakh which may be considered as realizable revenue from operation of HEL for 2015 – 2016.

From note 2.18 to the annual report and accounts 2015 – 16 of HEL it is observed that, total earning in the financial year 2015-16 is Rs. 170400.90 lakh. HEL in its petition claimed Rs. 9028.80 lakh as earning from transmission system charges and supported with additional submission dated 01.12.2021.

- 3.5 As it comes out from the findings in paragraph above, HEL has an under-recovery of Rs. 516.59 lakh as given below:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Approved realizable revenue admitted in APR for 2015 – 2016	9545.37
2.	Actual amount of revenue from operation realized for the year 2015 – 2016 as per paragraph 3.5 of this order	9028.8
3.	Additional net revenue amount to be recovered for 2015 – 2016 (1-2)	516.57

In terms of the Tariff Regulations, the under recovery of Rs. 516.59 lakh or a part thereof shall be adjusted with the Aggregate Revenue Requirement for one or more than one ensuing year or through a separate order, as may be decided by the Commission.

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

Sd/-  
(PULAK KUMAR TEWARI)  
MEMBER

Sd/-  
(SUTIRTHA BHATTACHARYA)  
CHAIRPERSON

DATED: 30.06.2022

Sd/-  
SECRETARY