



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

**IN CASE NO.
FPPCA – 100 / 21-22**

**AND
IN CASE NO.**

APR – 88 / 21-22

**REGARDING THE APPLICATIONS OF INDIA POWER
CORPORATION LIMITED FOR FUEL & POWER PURCHASE COST
ADJUSTMENT (FPPCA) AND ANNUAL PERFORMANCE REVIEW
(APR) FOR THE FINANCIAL YEAR 2016-17**

PRESENT:

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

DATE: 06.03.2024



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 from time to time (hereinafter referred to as the 'Tariff Regulations'), specifies that the generating companies or the licensees, as the case may be, may be subjected to Annual Performance Review (hereinafter referred to as 'APR').
- 1.2 India Power Corporation Limited (hereinafter referred to as 'IPCL') submitted its application for Annual Performance Review for 2016-2017 and Fuel and Power Purchase Cost Adjustment (FPPCA) application for 2016–17 on 09.09.2021, in accordance with the provisions outlined in the Tariff Regulations. The FPPCA application and APR application were admitted in Case No. FPPCA-100/21-22 and in Case No. APR-88/21-22, respectively, by the Commission on 17.01.2022. The gist of APR and FPPCA was also submitted on 17.01.2022 along with the Petition.
- 1.3 IPCL has submitted its application for APR for the third year of the fourth control period, i.e., for 2016-2017. The review of this application, based on the audited annual report and accounts of IPCL for 2016-2017 with reference to the Commission's tariff orders dated 21.07.2016 in Case No. TP- 58/13-14 and case No. TP(R)-26/16-17 dated 17.02.2017, will result in adjustments in various categories. The net adjustment resulting from these modifications in different categories will be considered to determine the amount of revenue adjustable through the tariff order of the subsequent year, or through a separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.4 The APR covers the determination of permissible annual fixed charges to the applicant, permissible incentives, and the effects of gain sharing as per Schedule 9B and Schedule 10 of the Tariff Regulations, respectively. In the APR for the year



2016-2017, the review of different elements of fixed charges, categorized as controllable and uncontrollable, has been conducted to determine the amounts to be permitted to IPCL under each head, compared to the amounts allowed under the tariff order for 2016-17.

- 1.5 As the application was significantly incomplete, a series of communications took place between the Commission and IPCL for the submission of various information, as outlined in the following table:

Table 1.5 - 0

Letter of WBERC	Letter of IPCL
WBERC /APR-88/21-22/646 dated 28.01.2022	RA/II/002/21-22/2210 dt 07.02.2022
	RA/II/002/22-23/36 dt 28.06.2022
	RA/II/002/22-23/75 dt 01.11.2022
	RA/II/002/21-22/2215 dt 02.03.2022
WBERC/APR-88/21-22/2279 dated 16.08.2022	RA/II/002/22-23/59 dt 13.09.2022
WBERC /B – 4/ 7/ 1064 dated 02.09.2021	RA/II/002/21-22/2174 dt 13.09.2022
	RA/II/002/21-22/2172 dt 09.09.2022

Upon admission of the APR application, IPCL was directed to publish the gist of the APR application for 2016 – 2017, as per the letter dated 28.01.2022. Accordingly, the gist was published in four newspapers, inviting suggestions/objections, if any, from the public, as outlined in Table 1.5-1. The approved gist along with the APR petition for 2016 - 2017 was also published on the website of IPCL. Opportunities were provided for all to inspect the application and obtain copies thereof. No Suggestions or objections have been received from any stakeholders within the stipulated period of 21 days from the date of publication of the Gist on 04.02.2022.



Table 1.5-1

Sl. No.	Date of Publication	Newspapers	Last date for submission of suggestions/objections as per notification
1	04-02-2022	Anandabazar Patrika	21 days from date of publication (inclusive of date of publication)
2	04-02-2022	Aajkal	
3	04-02-2022	The Telegraph	
4	04-02-2022	Prabhat Khabar	

- 1.6 The Commission also requested certain additional information from IPCL through its letter numbered WBERC/APR-88/21-22/2779 dated 16.08.2022. In response, IPCL submitted its replies via letter numbered RA/II/002/22-23/75 dated 01 November 2022.
- 1.7 The Commission has taken careful note of the representations made by IPCL. Additionally, it has been noted that no objection or suggestion has been received from the public regarding the petition published by IPCL. The current application of IPCL for the year 2016 – 2017 will be addressed in the subsequent sections of this order.



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CHAPTER – 2

COMPUTATIONS OF THE ALLOWABLE FUEL AND POWER PURCHASE COST

- 2.1 IPCL has made certain prayers and submissions through the APR petition and FPPCA for 2016-2017 and the accompanying forms. IPCL has also submitted audited accounts, auditors' certificates, supporting data, documents, and compliance reports. IPCL has submitted that its net aggregate revenue requirement allowed by the Commission in the revised Tariff Order was Rs. 49,176.45 lakhs. Against the same, IPCL in Paragraph 84 of their APR application has submitted total realizable sales revenue for 2016-17 as Rs. 41,802.42 lakhs and asked for net revenue recoverable for 2016-17 as Rs 31,922.07 lakhs after adjusting the sales revenue already realized in 2016-17.
- 2.2 In this part of the order, the Commission takes up the determination of fuel and power purchase costs allowable to IPCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2016-17.
- 2.3 The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2016-17, is to be admitted in terms of the following formula as specified by the Commission in schedule 7A to the Tariff Regulations.
- 2.4 Schedule – 9B to the Tariff Regulations, contains provisions for sharing the gains derived by the licensee, if any, on account of its better performances over the operating and fuel consumption norms set out by the Commission for the concerned year. The operational parameters which are to be considered for such sharing of the gains accrued to the licensees are:



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- (i) Oil consumption rate,
- (ii) Rate of Auxiliary Consumption,
- (iii) Gross Station Heat Rate.
- 2.5 The referred schedule 9B to the Tariff Regulations also stipulates that if the availability of a generating station of the licensee falls below the availability norm, the total gains meant to be passed on to the consumers under the items (i) to (iii) above, shall be used to compensate the deficit in the recovery of the fixed charges, if any, by the licensee.
- 2.6 Before ascertaining the amount of admissible fuel and power purchase cost as well as the amount of gains to be shared with the consumers and other licensees under the provisions of the Tariff Regulations explained in earlier paragraphs, it needs to view the actual performances of IPCL in comparison to the operational and fuel efficiency norms set out by the Commission in the Tariff Order for the concerned year.
- 2.7 During 2016-17, IPCL generated power only from the 12 MW Dishergarh power plant. Total Gross generation during the year is 41.65 MU and sent-out energy is 36.88 MU. In their submission, IPCL reiterated that despite its sustained efforts to obtain coal linkage with CIL/ECL, it could not get coal linkages. Thus, to run the plant, IPCL purchased coal from Tata Steel coal rejects, Earth Elements Developments Pvt Ltd and other sources through SBC Minerals Pvt Ltd.
- 2.8 IPCL does not have a coal linkage yet for its 12 MW plant. The Commission while giving clearance to purchase coal through the order dated 14.02.2013 in case No. WBERC/OA-129/11-12 stipulated that the cost of fuel purchased will be allowed as per provision 5.8.2 of the Tariff Regulations. IPCL further through a separate petition prayed before the Commission for in-principal clearance to purchase coal through e-auction. The Commission vide order dated 11.09.2013 vide case no. WBERC/OA-



163/12-13 accorded clearance to purchase coal through e-auction subject to compliance with the conditions as stipulated in regulations 5.8.1 to 5.8.7 of the Tariff Regulations.

- 2.9 IPCL in their submission of the FPPCA application has stated that the conditions contained in regulation 5.8.2 of the Tariff Regulations are fulfilled as its own generation cost is cheaper than the power purchase cost and hence is beneficial to the consumers. IPCL has reiterated their inability to obtain coal linkage with ECL and accordingly requested the Commission to allow the actual fuel cost incurred during 2016-17.
- 2.10 From the submitted coal bills, it is noted that IPCL has procured coal from Earth Elements Developments Co. Pvt. Ltd., Tata Steel Ltd. and SBC Minerals Pvt. Ltd. The Commission vide letter no WBERC/APR-88/21-22/2279 dated 16.08.2022 directed IPCL to furnish against each supplier the coal grade, basic price, e-auction premium and margin money in Rs per MT. Against such query IPCL has submitted such details vide Letter dated 13.09.2022 in RA/II/002/22-23/59. It has been observed that no margin money was found to be involved in the coal procurement process from these agencies as per the submitted affidavit.
- 2.11 The Commission finds it prudent to consider the coal purchase details submitted by IPCL in Annexure: D vide letter RA/II/002/22-23/59 dated 13.09.2022, It is observed that IPCL has procured coal from Tata Steel with a base price of Rs 1464.7 Rs/MT, Earth elements Development Pvt Ltd with base price of 1481.58 Rs/MT, and SBC minerals Pvt Ltd with base price of Rs 1446.31 Rs/MT. It has been observed that grades of coal purchased from different sources are washery rejects. The Commission now computes the weighted average Useful Heat Value (UHV) as shown in Annexure 2A and the cost of coal as in Table 2.11;



Table 2.11

Source	Quantity	Coal price	Railway freight	Transport handling cost including service Tax	Total Cost
	MT	Rs/MT			
Tata steel	50,440	1,464.7	242.5	127.13	1,834.4
Earth Elements Developments Pvt Ltd	7,897	1,481.58	486.50	229.12	2,197.20
SBC Minerals Pvt. Ltd.	7,680	1,446.31	463.10	193.41	2,102.82
Total Purchased	66,017				
Weighted Average		1,464.60	297.37	147.04	1,909.02

IPCL has submitted a month-wise quantity of coal consumed duly certified by the auditor and a statement of coal received during the year indicating the month, quantity and GCV. Based on the quantity and GCV of coal received during the year, the weighted average GCV works out to be 2756.59 kcal/kg for 2016-17.

2.12 The Commission has determined the weighted average heat value of coal as per regulation 5.8.1 of the Tariff Regulations, average UHV of coal received during the period is calculated as 2756.59 kcal/kg with application of regulation 5.8.15 of the tariff regulation based on statement of coal received along with GCV analysis during the period April 2016 to March 2017 under auditor certificate in Annexure- 1.3A of Annexure: D submitted by IPCL dated 13.09.2022. As per Annexure-1.3A, it is observed that the grade of purchased coal from each source is washery reject, so in this case weighted average UHV of coal is similar to the weighted average GCV. The details of the coal purchase as submitted by IPCL are provided in Annexure 2A.

2.13 IPCL in its submission has stated that, since coal linkage is not yet obtained for its 12 MW plant, the actual fuel cost incurred may be allowed. IPCL has also proposed to consider an SHR of 3,400 kcal/kg and the auxiliary consumption at 11.45%. The actual achievement of generation, auxiliary consumption and station heat rate vis-a-vis the same allowed in tariff order are stated hereunder:



Table 2.13

Sl. No.	Particulars	Unit	As per Tariff Order	As per Actuals
1	Gross Generation	MU	39.02	41.65
2	Auxiliary Consumption	MU	3.90	4.77
3	Rate of Auxiliary Consumption	%	10 (Normative)	11.45%
4	Sent Out Energy	MU	35.12	36.88
5	Station Heat Rate	kCal/kWh	3,300 (Normative)	3,749.04

The actual station heat rate has been derived on the basis of the given quantity of coal consumption and the actual weighted average Heat Value of Coal as per the calculation below:

$$\text{SHR (Dishergarh)} = 56642.87 \times 1000 \times 2,756.59 / (41.65 \times (10^6)) = 3,749.04 \text{ Kcal/kWh}$$

2.14 With the above computation, the Commission notes that actual SHR and auxiliary consumption are higher than the norms considered in the tariff order for the year 2016 - 2017 and therefore IPCL is not entitled to any gain sharing for improvement in SHR and Auxiliary consumption rate.

2.15 The norm for distribution loss of IPCL for the year 2016-17 was considered 5.25% in the tariff order based on actual value subject to the condition that gain gain-sharing issue will be dealt with in the APR order. Accordingly, 5.25% will be considered as normative distribution loss while gain sharing will be calculated. As per the data submitted by the IPCL in the instant application, the actual quanta of distribution loss experienced by it works out as under:

Table 2.15

Sl. No.	Particulars	Figures in MU
A.	Inputs to System	
(a)	Net Sent Out Energy	36.88
(b)	Energy purchased during the year	605.86



(c)	Net UI Energy Drawn	58.17
(d)	Delivered to the system [d = a + b + c]	700.91
B. Utilization of Power		
(e)	Sales to consumers	676.74
(f)	Own consumption	2.29
(g)	Total utilization (g = e + f)	679.03
(h)	Distribution loss [h = d – g]	21.88
(i)	Percentage of distribution loss [i = h/d x 100]	3.12%

2.16 It is due to a lesser distribution loss (3.12%) than the normative distribution loss set by the Commission and allowed in ARR (5.25%), IPCL had to purchase $[\{700.91.52 / (1-0.0525)\} - 700.91] = 716.65 \text{ MU} - 700.91 \text{ MU} = 15.74 \text{ MU}$ less power for supplying consumers which saved them at the average rate Rs. 3.59 per unit an amount of Rs. 565.00 lakh in FY 2016-17 (Ref. Para 2.22.1). In terms of paragraph C(ii) of Schedule – 9B of the Tariff Regulations, the gain accruing to a distribution licensee due to its performance in distribution loss better than the norms of distribution loss in any ensuing year starting from 2014-15 onwards shall be shared by that distribution licensee and the consumer at the ratio 75:25 through APR of that year. The gain is on account of savings in the quantum of power purchase only. No gain on this account is accrued to the fixed cost part of the licensee. This is similar to savings in fuel cost due to improved mileage.

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

2.18 FUEL COST BASED ON NORMATIVE:

2.18.1 Fuel cost of own generation is to be allowed as per normative parameters fixed by the Commission, or on an actual basis in the absence of any norms. The fuel costs to be allowed to IPCL for the year 2016 - 2017 for its power station at Dishergarh are based on the following fuel consumption norms (Table 2.18.1) as decided in paragraph 2.10 above:



Table 2.18.1

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

2.18.2 The Commission now determines the admissible fuel cost based on the weighted average cost of coal and GCV computed in para 2.10 above and the norms specified. The admissible fuel cost comes to Rs 960.43 lakh as detailed in Annexure-2C.

2.19 PPC (POWER PURCHASE COST):

2.19.1 The actual quanta of power purchased by IPCL during 2016 - 2017 from Damodar Valley Corporation (DVC), West Bengal State Electricity Distribution Company Limited (WBSEDCL), West Bengal Green Energy Development Corporation Limited (WBGEDCL), Short Term Open Access(OA power purchase at Luchipur receiving station + Open Access power purchase at J.K. Nagar receiving station) from Indian Energy Exchange (IEX). Hence, the total quantum and cost incurred thereon work out to be 605.86 MU and Rs. 22,120.88 lakh respectively as per the details given below:

Table 2.19.1

Sources	Quantum (MU)	Cost incurred (Rs. Lakhs)
WBSEDCL	29.5	1,668.13
DVC	232.07	11,004.54
WBGEDCL	0.74	36.71
IEX (STOA)	343.55	9,411.5
Total	605.86	22,120.88

2.20 ALLOWABLE FUEL AND POWER PURCHASE COST:



2.20.1 The allowable amount of fuel and power purchase cost (FC + PPC), computed in terms of the formula specified in Schedule 7A of the Tariff Regulations works out to Rs. 23,081.31 lakh. The detailed computations are shown in Annexure – 2C.

2.21 C_D: COST DISALLOWABLE:

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

Table 2.21.1

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	T	Normative transmission and distribution loss considered for sale to a licensee	%	5.25%
2	D	Normative distribution loss for sale to consumers	%	5.25%
3	E _g	Actual Sent Out from Own Generating Station for Consumers and licensees	MU	36.88
4	E	Excess/ (Savings) in the quanta of auxiliary energy consumption (vide note (1) below)	MU	0.671
5	E _p	Total energy purchased for distribution and supply to licensees including UI	MU	664.03
6	E _O	Energy for own consumption	MU	3.00
7	E _{SC}	Sold to consumers	MU	676.74
8	E _{SL}	Sold to licensee	MU	---
9	E _{Adm}	Admissible purchase of energy	MU	679.85

Note 1:

Sl. No.	Particulars	Unit		Dishergarh
1	Actual Generation	MU	A	36.88
2	Rate of Normative Auxiliary Consumption	%	B	10%
3	Normative Auxiliary Consumption based on sent-out energy	MU	C=A/(1-10%)	40.98
4	Actual Auxiliary Consumption (Ref: -para 2.12)	MU	D	4.77



Sl. No.	Particulars	Unit		Dishergarh
5	Normative auxiliary consumption		E=C-A	4.10
6	Excess Auxiliary Consumption	MU	F=D-E	0.671

Note 2:

Admissible quantum of purchase:

$$\frac{E_{SC} + E_0}{(1-d \times 0.01)} + \frac{E_{SL}}{(1-T \times 0.01)} - E - E_g$$

$$= \frac{676.74+3.00}{(1-5.25\%)} + 0 - 0.671 - 36.88$$

$$= 679.85 \text{ MU}$$

2.22 A: PRIOR PERIOD'S ADJUSTMENTS:

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

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

2.23.1 The aggregate amount of fuel and power purchase cost, commensurate with the actual quantum of sale to the consumers and to the licensee (WBSEDCL), that can be allowed to IPCL works out to Rs. 23,081.31 lakh with the break-up as given hereunder. The detailed computations in this regard are shown in Annexure – 2C.

Table 2.23.1

Sl. No.	Particulars / Factors	Rs. Lakhs
1	FC: Fuel Cost	960.43
2	PPC: Power Purchase Cost	22,120.88



3	C _D : Cost disallowable	0.00
4	±A: Prior period adjustment	0.00
5	Allowable fuel and purchase cost = FC + (PPC - C _D) + (± A)	23,081.31

2.24 Benefits for savings in Distribution Loss:

2.24.1 As referred to in paragraph 2.14 above, IPCL is allowed to retain the gains accrued to it due to savings in the rate of distribution loss. Such savings in quantum came to 15.74 MU. The value of such savings at the average cost of power at the distribution bus works out as under:

Table 2.24.1

Particulars	Quantum (MU)	Cost (Rs. Lakhs)
Sent out from Generation (Ref: para 2.13)	36.88	939.32
Purchase (Ref: para 2.19.1)	605.86	22,120.88
Total	642.74	23,060.20
Average Rate per Unit (Rs per unit)		3.59
Savings	15.74	564.88
Savings shared with Consumers @ 25%		141.22
Savings for IPCL		423.66

2.24.2 Out of the amount of Rs. 423.66 lakh, computed above, a total amount of Rs. 21.11 lakh (Rs 960.43 lakh - Rs. 939.32 lakh) (Refer annexures 2B and 2C) has already been passed by way of adopting normative rate of distribution loss as denominator in computing admissible fuel cost for sale to Licensee and consumers. The balance amount of Rs. 402.54 lakh is now being allowed.

2.25 Summing up the findings as stated above, the net amount of fuel and power purchase cost allowed to IPCL for the year 2016- 2017 comes as in Table 2.25:



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Order on FPPCA and APR of IPCL for the year 2016 – 17

Table 2.25

Particulars	Rs. Lakhs
Fuel and Power Purchase Cost (as per FPPCA formula in para 2.23.1)	23,081.31
The additional amount on account of savings in the rate of Distribution loss net off consumer share	402.54
Re-determined Fuel and Power Purchase Cost	23,483.86



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Order on FPPCA and APR of IPCL for the year 2016 – 17

ANNEXURE – 2A

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

Source	Quantity (MT)	Grade	Min GCV of Coal Received (x)	Max GCV of band (X2)	Min GCV of Band (X1)	Max UHV of Band (Y2)	Min UHV of band (Y1)	Mean UHV interpolation	Qty * Mean UHV interpolation	Weighted Avg UHV
Tata steel	50440	Washery reject	2757.03	-	-	-	-	2757.03	139064709	
Earth Element Development Pvt Ltd	7897	Washery reject	2704.82	-	-	-	-	2704.82	21359961	
SBC Minerals Pvt Ltd	7680	Washery reject	2806.88	-	-	-	-	2806.88	21556844	
Total Purchased	66017		2756.59						181981514	2756.59



**ANNEXURE – 2B
ALLOWABLE FUEL COST**

SI No	Particulars	Unit	12 MW Dishegarh Plant
1	Ex-Bus Generation	MU	36.88
2	Rate of Auxiliary Consumption	%	10%
3	Auxiliary consumption on ex-bus generation $[(1)/(1-0.10)-(1)]$	MU	4.10
4	Admissible Generation for sale $[(1) + (3)]$	MU	40.98
5	Station Heat Rate	Kcal/kWh	3300
6	Total Heat Required (4×5)	M.Kcal	1,35,230.61
7	Heat value of Oil	Kcal/lit	0.00
8	Specific Oil consumption	ml/kWh	0
9	Oil consumption (4×7)	KL	0
10	The heat from oil (8×9)/1000	M.Kcal	0
11	Heat from coal (6-10)	M.Kcal	1,35,230.61
12	Average UHV of coal	Kcal/Kg	2,756.59
13	Coal consumption (11/12) ×1000	MT	49,057.29
14	Coal requirement at 0.30% transit loss	MT	49,204.46
15	The average price of oil	Rs/KL	0
16	The average price of coal	Rs/MT	1,909.02
17	Cost of oil (8×15)/100000	Rs in lakh	
18	Cost of coal (14×16)/100000	Rs in lakh	939.32
19	Cost of Fuel (17+18)	Rs in lakh	939.32
20	Cost of fuel per unit (19/1*10)	Paise/kWh	254.69



Order on FPPCA and APR of IPCL for the year 2016 – 17

ANNEXURE – 2C

STATEMENT SHOWING ADMISSIBLE FUEL AND POWER PURCHASE COST

Sl No	Factor Notation	Nomenclature	Unit	Value
1	t	Norms of Transmission and Distribution loss considered for the sale of power to the licensee and for interplant transfer	%	5.25%
2	D	Norms of distribution loss for sale to consumers	%	5.25%
3	E _o	Energy for own consumption	MU	2.29
4	E _{SL}	Energy sale to the licensee and interplant transfer [refer to table in paragraph 2.3]	MU	0
5	E _{SC}	Energy sales to consumer	MU	676.74
6	Fuel Cost	Fuel cost for generation on normative parameters (Refer to Annexure – 2B)	Rs. Lakh	939.32
7	FC _{IUC}	Per unit Fuel Cost at distribution input for sale to consumers (Refer to Para A in Note below)	Paise/kWh	13.40
8	FC _{Adm_d}	Admissible Fuel Cost for sale to WBSEDCL and inter-plant transfer (Refer B(ii) in Note below)	Rs. Lakh	0
9	FC _{Adm_C}	Admissible Fuel Cost for sale to the consumer and for own consumption [Refer B(i) in Note below]	Rs. Lakh	960.43
10	FC	Admissible fuel cost [(8) + (9)]	Rs. Lakh	960.43
11	PPC	Power Purchase Cost (vide para 2.19.1	Rs. Lakh	22,120.88
12	FC + PPC	Admissible Fuel and Power Purchase Cost [(10) + (11)]	Rs. Lakh	23,081.31

Note:

A. Fuel Cost per Unit (kWh) at Distribution Input		Unit	Value
(i)	Fuel Cost for sale to consumers	Rs. Lakh	939.32
(ii)	Energy sent out from own generation for consumers & licensee	MU	36.87
(iii)	Power Purchase	MU	605.86
(iv)	Net UI drawn	MU	58.17
(v)	Total energy available for sale [(ii)+(iii)]	MU	700.90
(vi)	FC _{IUC} [(i)/(iv)]	Paise/kWh	13.40

B. Admissible Fuel Cost for sale to Consumers and Licensee		Unit	Value
(i)	$\frac{E_{SC}+E_o}{(1-d \times 0.01)}$	Rs. Lakh	960.43
	$x FC_{IUC} = \frac{(676.74+2.29) \times 13.40}{(1-.0525)}$		
(ii)	$\frac{E_{SL}}{(1-t \times 0.01)}$	Rs. Lakh	0
	$x FC_{IUC} = 0 \times 13.40$		



CHAPTER – 3

FIXED COST DETERMINATION UNDER APR OF 2016-17

- 3.1 The Tariff Regulations specify the classification of different fixed charge elements under the controllable and uncontrollable head and also the treatment of variation between projected expenditure and actual expenditure of such fixed charges, fixed cost elements and incentives during the preparation of APR.
- 3.2 The Commission in its order dated 21.07.2016 in the tariff application of IPCL for the years 2014-15 to 2016-17, had followed some specific principles of calculation for the determination of fixed charge during projection of ARR. The basic premises of such principles of calculation were:
- (i) Wholesale Price Index (WPI) and Consumer Price Index (CPI),
 - (ii) Business volume change namely Distribution line length and number of consumers, and
 - (iii) Sensitivity of expenditure elements to business volume change.
- 3.3 The Commission acknowledges that in its Petition, IPCL has stated that the annual accounts for FY 2016-17 adhere to the Indian Accounting Standard (Ind AS), whereas previous years followed the Indian Generally Accepted Accounting Principles (IGAAP). Consequently, IPCL has incorporated specific Ind AS adjustments, which entail the inclusion of notional income and expenses necessitated by the consideration of fair value instead of transaction value. However the Commission considers APR for true up exercise at transaction value as furnished by IPCL in their petition.'+
- 3.4 Parameters and formulas for fixed charge computation:

In view of regulation 2.6.10 (v) of the 2nd Amendment of Tariff Regulations, the Commission has noted the submission of IPCL that, there is an increase in the



consumer strength, however, there is a minor reduction in distribution line length at the end of the year 2016-17 when compared with Tariff order of FY 2016-17 as shown in Table 3.4-1 below. Relevant inflation-related data/computation is provided in Annexure-3A.

Table 3.4 -1

	Admitted in Tariff Order 2016-17	Actual 2016-17	Increase / Decrease (-)
Distribution Line length – DLL (CKM)	969.44	900.354	-69.08
Consumer Strength – CS (Number)	1725	1883	158
DLL decrease % for 2016-17 (compared MYT and actual)			-7.12%
CS Increase % for 2016-17 (compared MYT and actual)			9.16%
WPI in %	6.62%	1.76%	
CPI in %	9.15%	4.18%	
Inflation in hybrid index [WPI: CPI (60:40)] %	7.63%	2.73%	

- 3.5 Now the Commission proceeds to review each of such fixed charge elements claimed by IPCL in line with Tariff Regulations with specific reference to regulations 2.5.5, 2.5.5.1, 2.6.10 and principles, terms, and conditions for determination of tariff for the retail sale of electricity as per schedule-5 of the Tariff Regulations. For interest, depreciation and return on equity, principles laid down in the Tariff Order dated 09.07.2021 in Case No. TP-78/18-19 for the J.K. Nagar substation has been followed.
- 3.6 The old units of Dishergarh Power Station (12.2 MW) were decommissioned in November 2012 and the Chinakuri Plant remained inoperative during the whole year. The new power plant (12 MW) at Dishergarh was commissioned on 25.09.2012 and is the only plant of IPCL that has generated power during 2016-17. The Commission, accordingly, considers the expenses of the generating stations with reference to applicable provisions of tariff regulations. The review of each of



the controllable and uncontrollable head of fixed charges with reference to the amount allowed through tariff and the actual based on the audited financial statement of IPCL related to DPSC Division, the forms submitted by IPCL as a part of their APR application and the attached Auditor's Certificates for the year ended 31st March 2017 is being taken up hereunder.

3.7 Employee Cost:

- 3.7.1 In the Tariff order for 2016-17, IPCL was allowed a total amount of Rs 4,539.83 lakh towards employee cost which included Employee cost for the Generation business of Rs 551.89 lakhs and Distribution business of Rs 3,987.94 lakhs. As against the amount allowed in the Tariff order, IPCL has claimed Rs. 273.68 lakh (generation) and Rs. 3541.59 lakh (distribution) i.e. a total of Rs 3,815.27 lakh in its APR application. The same was reflected in Form 1.17(h) of the APR application. However, as per Note 37 of Annual Accounts, the total employee cost is Rs. 3,835.54 lakhs.
- 3.7.2 Further, in reply to the query of the Commission, IPCL vide its letter dated 21.06.2022 made an additional submission of Form 1.17 (h) wherein IPCL deducted the director's expenses of Rs. 19.71 lakh from the employee cost. The analysis of the employee cost is as shown below:

Table 3.7-1

Head of expense	Allowed in Tariff order			Claimed in APR		
	Generation	Distribution	Total	Generation	Distribution	Total
	Amount (Rs Lakh)					
Employee Cost (Own)				214.65	3,337.48	3,552.13
Staff training expenses				0	15.49	15.49
Salary & Wages of contracted manpower	551.89	3,987.94	4,539.83	59.03	168.91	227.94
VRS Compensation						0
Directors' fee & remuneration				0	0	0
Total	551.89	3,987.94	4,539.83	273.68	3,521.88	3,795.56
	Employee Numbers					



Own employee				24	577	601
Contractual manpower				15	156	171

3.7.3 Further, IPCL has claimed Rs. 227.94 lakh towards expenses of contractual manpower engaged in various jobs under regular establishment. Out of the total amount of Rs. 227.94 lakh, Rs. 59.03 lakh is related to the Dishergarh generating plant of IPCL and Rs. 168.91 lakh is related to distribution expenses (including centrally maintained expenses). IPCL has claimed the entire amount as employee expenses.

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

Table 3.7.4

Sl No	Particulars	Man/MW ratio	Maximum permissible manpower	Own employee engaged	Contracted manpower engaged	Total manpower engaged	Contracted manpower cost (RS. Lakh)	
							claimed	Admitted
A	Dishergarh 12 MW	3.50	42	24	15	39	59.03	59.03
B	Distribution business	-	-	-	-	-	168.91	168.91
	Total						227.94	227.94

3.7.5 IPCL has claimed Rs. 15.49 lakh as expenditure on account of staff training expense which is not considered under employee expense but should be included under administrative and general expenses. This expense of Rs 15.49 lakh is to be considered under the distribution head as the training is related to the distribution function only.



3.7.6 Accordingly, the commission admits Rs 3,799.78 lakhs towards Employee cost in the APR for 2016-17 and allocates the same to the generation and distribution function. A summary of Admittance and allocation is given in Table 3.7-2 below.

Table 3.7-2

Head of expense	Claimed (Rs. Lakh)			Admitted (Rs Lakh)		
	Generation	Distribution	Total	Generation	Distribution	Total
Employee Cost (own)	214.65	3,337.48	3,552.13	214.65	3,337.48	3,552.13
Salaries & wages of contractual manpower	59.03	168.91	227.94	59.03	168.91	227.94
Staff training expenses	0	15.49	15.49	0	0	0.00
VRS Compensation			0.00	0	0	0.00
Directors' fee & remuneration	0	19.71	19.71	0	19.71	19.71
Total	273.68	3541.59	3,815.27	273.68	3526.10	3799.78

3.8 Water Charge:

- 3.8.1 In the MYT order of the 4th control period, the Commission admitted Rs 10.93 lakhs for the year 2016-17 towards water charges. The Commission also observed in the MYT order of the 4th control period that the expenditure on water charges being uncontrollable in nature, the actual expenditure vis-à-vis actual generation will be viewed separately by the Commission for admitting expenses under this head.
- 3.8.2 IPCL, in its APR application, has claimed Rs. 0.37 lakhs towards water charges. It has also been submitted that the water is a necessity for both the generating station and its associated offices. The Commission also notes that water charges of Rs. 0.37 lakh have also been reflected in Note 40 of Annual Accounts, Form 1.12 and Form E(b) of its APR application. The Commission is of the view that such a portion of water charges are to be considered under A & G Expenses for distribution and the same are considered separately. Accordingly, the Commission approves Rs.



0.32 lakh towards water charges for the generation function as shown in the table below.

Table 3.8-1
Water charges for 2016-17

Water Charges admitted in Tariff Order 2016-17	Water charges Actual	Total Water Consumption	Plant consumption Water	Other consumption	Admitted in this Order	Considered other consumption
Rs Lakh	Rs Lakh	kL	kL	kL	Rs Lakh	Rs Lakh
1	2	3	4	5	6=(2*4/3)	7=2-6
10.93	0.37	7,00,17,785	6,09,15,473	91,02,312	0.32	0.05

3.9 Coal and Ash Handling Expenses:

- 3.9.1 In the MYT order of the 4th control period, the Commission admitted Rs. 82.50 lakhs for the year 2016-17 towards coal and ash handling expenses. The Commission also observed in the MYT order of the 4th control period that the actual expenditure vis-à-vis actual generation will be viewed separately by the Commission for admitting expenses under this head.
- 3.9.2 IPCL has claimed Rs. 116.84 lakhs under the head of coal and ash handling charges, which are also supported by Note 40 of Annual Accounts and Form 1.12 and Form E(b) of the APR application. The actual generation during 2016-17 was 41.65 MU as against the approved generation of 89.35 MU. The actual cost for coal and ash handling was Rs. 46.08 lakhs for 2016-17. Since the approved cost of Rs. 82.50 lakhs, prorated on the basis of actual generation, i.e., Rs. 82.50 lakhs x 41.65 MU / 89.35 MU = Rs. 38.46 lakhs, the Commission admits Rs. 38.46 lakhs under this head under generation function.

Table 3.9.2

1	Admitted amount (Rs lakh)	82.50
2	Target generation (MU)	89.35
3	Amount/unit generated (Rs lakh/MU) (3=1/2)	0.92
4	Actual generation (MU)	41.65



5	Expenses proportionate to actual generation (Rs lakh) (3*4)	38.46
6	Admitted in APR order 2016-17	38.46

3.10 O&M Expenses for Generation:

3.10.1 O&M expenses of generation for Rs. 86.16 lakh were allowed in the tariff in accordance with the norms specified in Schedule 9A of the Tariff Regulations. Only a new power plant (12 MW) at Dishergarh was under commercial operation for the whole year.

3.10.2 IPCL has claimed an amount of Rs. 86.16 lakhs under the head of O&M expenses for a generation. Form 1.12 also mentions a total of Rs. 86.16 lakhs for O&M for generation. The O&M expenses for generation for 2016-17 are to be determined as per norms specified in para 4.8.1 Table 4.8 of Tariff order 2014-15, 2015-16 and 2016-17. The commission notes that actual O&M expenses as shown in the Table below;

3.10.3 O&M expenditure is a controllable expenditure using operating norms and hence shall be guided by Regulation 2.5.5 (ii) of the Tariff Regulation.

Table: 3.10-1

O&M Expenses Computation for Generation Function

Unit No	Unit Size (MW)	O&M Expenses Rs Lakh Per MW	No of Days	Total Expenses in Rs. Lakh
Dishergarh TPS (New)	1X 12	7.18	365	86.16

3.10.4 O&M expenses for Generation are a controllable expenditure using operating norms. Since the claim value is the same as that admitted in Tariff Order 2016-17, the Commission admits Rs 86.16 lakh in the APR for 2016-17 under the Generation function.

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



In the MYT order, IPCL was allowed Rs 367.00 lakhs for 2016-17 towards R&M for distribution. However, IPCL has claimed an amount of Rs. 450.32 lakhs under the head of R&M for distribution. As per Note 40 of the Annual accounts, the consumption of stores and spare parts is shown as Rs. 158.84 lakh and the total repair charge is Rs. 698.17 lakh. Though the amount claimed by IPCL towards R&M in Audited accounts is higher than the amount approved in the Tariff Order, the Commission notes that the increase in Distribution Line Length as shown in paragraph 3.4 was less than 5% as compared to MYT projection. Since the R&M expenses are a controllable factor, the Commission decided to restrict the admitted amount under the R&M expenses to Rs 367.00 lakh as admitted in the Tariff Order.

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

Administrative & General (A&G) expenses comprise audit expenses, legal and professional expenses, and other administrative and general expenses. A total amount of Rs. 339.00 lakh was allowed to IPCL in MYT Order in this regard for the year 2016-17 with the following break up:

Table 3.12

Expense Item	Claimed in ARR 2016-17 (Rs Lakh)
Audit expenses	9.00
Other A&G Distribution	252.00
Legal & Prof. charges	78.00
Total	339.00

3.12.1 As per MYT Order of 2016-17, the amount admitted under the head of Audit Fees is Rs. 9 lakhs. However, IPCL has claimed Rs. 28.55 lakhs for the same in their APR application, which has also been corroborated with Annexure A of the Auditor's Certificate (Annexure 2) of the APR application. Hence, the Commission admits Rs. 9.00 lakhs under the head of Audit Expenses considering these charges as controllable.



3.12.2 As per MYT Order of 2016-17, a total of Rs. 78 lakhs were admitted under the head of “Legal and Professional Charges” whereas, IPCL has claimed an amount of Rs. 345.51 lakhs. The summation of legal charges and consultancy charges, mentioned in the Auditor's Certificate (Annexure 2) of APR applications gives Rs. 347.42 lakhs. The Commission notes that consumer strength has increased by 9.16% as compared to MYT projection for FY 2016-17 as shown in paragraph 3.4 above. As per clause 2.6.10 (v) of the 2nd amendment of MYT Regulations, if an increase in the consumer strength is more than 5% as compared to MYT projection, the Commission may allow additional expenditure. Accordingly, the Commission admits Rs 81.24 (Rs 78 lakh * (1+4.16%)) lakhs under the head of legal charges while considering these charges as controllable.

3.12.3 Under the head of other A&G expenses, the amount admitted in Tariff Order 2016-17 is Rs. 252 lakhs, whereas IPCL has claimed Rs.797.68 lakhs in this APR Petition. The miscellaneous expenses on Pages 3 and 4 of the Auditor's Certificate (Annexure 2) of the APR application indicate a total of Rs. 736.25 lakhs. The Commission noted that consumer strength has increased by 9.16% compared to MYT projection of the 4th control period FY 2016-17 as shown in paragraph 3.4 above. As per clause 2.6.10 (v) of the 2nd amendment, if Consumer strength is more than 5% compared to MYT projection, the Commission may allow 4.16% additional expenditure on Other A&G expenses. However, since A&G expenses are controllable expenses as per the second amendment of Tariff Regulations 2011, the Commission admits a total of Rs. 262.48 (Rs 252 lakh * (1+4.16%)) lakhs under the head of Other A&G expenses.

3.12.4 Accordingly, the Commission admits a total of Rs.352.73 lakhs under the head of A&G expenses for distribution as shown in Table 3.12-1;



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Table 3.12-1
A&G Expenses for Distribution

Expense Item	Admitted in ARR 2016-17 (Rs Lakh)
Audit expenses	9
Other A&G Distribution	262.48
Legal & Prof. charges	81.24
Total	352.73

3.12.5 Vide reply dated 13th September 2022, IPCL has submitted the DPSC division accounts wherein, as per Note 40 of the account, the breakup of A&G expense is shown in the table below:

Table 3.12 -2

Expense Head	Distribution (Rs. Lakhs)
Audit expense	28.55
Misc. Expense	736.25
Loss on Foreign exchange fluctuation	59.49
Loss of sale of fixed asset	-
Rent	4.37
Total	797.48

3.12.6 From the breakup of Miscellaneous expenses provided in the Audited Certificate in Annexure -2 of the petition, it is observed that the expenses of WBERC license & filing fees of Rs 37.95 lakhs have been claimed. Further, from the consolidated amount of Rs 48.59 lakh claimed under the head "Rent, Rate and Taxes", the "Rent" head has to be segregated and considered under A&G expense. "Rates and taxes" without the head of "Rent" is to be considered as a separate expense head in ARR. Thus, the Rent of Rs 4.37 lakh, as discernible from Note 40 of the audited account is to be included in a claim under A&G. Balance amount of Rs 44.22 lakh booked under "Rates and Taxes" head in note 40 of the audited account will be considered as a claim under "Rates and Taxes" head.



3.12.7 Further, the water charges of Rs 0.05 lakhs (para 3.8), staff training expenses of Rs 15.49 lakhs (para 3.7.6 above) and Rent of Rs 4.37 lakhs are to be considered as part of other A&G expenses for the distribution function. Further, the bank charges of Rs 542.77 lakhs as claimed under other finance charges has to be included in other A&G expenses, Accordingly, the revised claim of IPCL under other A&G expenses stands at Rs 1,151.77 lakhs under the distribution function.

3.12.8 The bank charges of Rs 542.77 lakhs include other A&G expenses as discussed above. The Commission in Tariff Order 2014-15 to 2016-17 has admitted bank charges of Rs 86.22 lakh under other finance charges.

3.12.9 The filing fees are mentioned in Annexure 2 of the Auditor certificate under Miscellaneous expense. As Miscellaneous expenses are part of A&G expenses, the Commission has considered the filing fees as part of total A&G expenses as mentioned in Table 3.12-2 above. Accordingly, the recomputed other A&G expense as claimed by IPCL are shown in below Table 3.12-3:

Table 3.12- 3

Expense Head	Distribution (Rs. Lakhs)
Total A&G expenses including legal as per Table 3.12-2	797.48
Less: Legal expense	166.07
Less: Filing fees	37.95
Less: CSR	-
Add: Bank charges	542.77
Add: Staff training expense	15.49
Add: Water charges	0.05
Other A&G	1,151.77

3.12.10 As per the provisions of the MYT Regulations, A&G expenses for distribution function are considered controllable and the actual business volume growth and inflation justify the increase in A&G expenses. Thus, the total admittance under these heads is not restricted to the amount admitted in MYT as explained in Paragraphs 3.12.3 and 3.12.4. Accordingly, the Commission admits the total A&G Expenses of Distribution function as shown in Table 3.12-4 below:



Table 3.12- 4
Admitted Amount for A&G Expenses in Distribution

Expense Item	Admitted in MYT Order Rs Lakhs	Claimed in APR application Rs Lakhs	Amount approved in APR Rs Lakhs
Audit Fees	9	28.55	9
Legal and professional Charges	78	166.07	81.24
Other A&G Exp	252	1,151.77	262.48
Total A&G Exp	339	1,346.39	352.73

Total O&M Expenses-Distribution

Expense Item	Admitted in MYT Order Rs Lakhs	Claimed in APR application Rs Lakhs	Amount approved in APR Rs Lakhs
R&M Expenses	367.00	450.32	367.00
Total A&G Exp	339.00	1,346.39	352.73
Total O&M expenses-Distribution	706.00	1796.71	719.73

3.13 Insurance:

The Commission in its Tariff order for 2016-17, has admitted insurance premiums as Rs 30 Lakhs. (0.10 Lakh for generation and Rs 29.9 Lakh for Distribution function). However, IPCL has claimed an amount of Rs 33.28 lakh (Rs. 1.01 lakh for motor insurance and Rs. 32.27 for fire insurance) for the distribution function and no claim has been made under the generation function. The Commission notes that the same are mentioned in note 40 of the audited account submitted by IPCL. As per the second amendment of MYT Regulations 2011, insurance is considered an uncontrollable factor. Hence, the Commission admits expenses of Rs 33.28 lakhs for distribution function in APR of 2016-17 as proposed by IPCL in form 1.17(f) APR Petition statement of "Details of Insurance paid".



3.14 Rates & Taxes:

3.14.1 As per MYT order for 2016-17 rates and taxes approved were Rs 20 Lakhs. IPCL in its application has claimed an amount of Rs 48.59 Lakhs with a breakup of Rs 1.74 lakh for generation function and Rs 46.85 lakh for Distribution function. Taxes are subject to government policies and are uncontrollable in nature 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 and APR. As the Commission performs a prudence check and inefficiencies are not allowed as a pass-through, similarly the tax elements of such inefficiencies are also to be disallowed.

3.14.2 Pages 6 and 7 of Annexure-2 of the APR application indicate the total rent, rates & taxes payable as Rs. 4.37 lakhs and Rs. 44.23 lakhs respectively, totalling Rs. 48.59 lakhs. Note 40 of Audited Accounts indicates the rates and taxes paid as Rs. 46.54 lakhs. As per the 2nd amendment of MYT Regulations 2011, "Rate and Taxes" are considered as an uncontrollable factor. The Commission notes that IPCL has included expenses of Rs 4.37 lakhs towards rent in the rates and taxes, which the Commission has already considered under A&G expenses as discussed in paragraph 3.12.7 above. Further a sum of Rs 7.46 lakhs includes open access charges and other items that are not found to be in the nature of Rates & Taxes Accordingly, the Commission admits Rs. 36.76 lakh (Rs 48.59 lakh – Rs 4.37 lakh- 7.46 lakh)) towards "Rates and Taxes".

The amount of Rs. 37.95 lakh for the licensee and filing fees was admitted during 2016-17 under the distribution function as discussed in paragraph 3.12.6.

3.15 Depreciation.

3.15.1 The Commission has admitted a total depreciation of Rs. 1,422 lakhs in the Tariff Order for 12 MW unit (New) of DPS. IPCL has claimed Rs 1,603.97 lakhs towards



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depreciation in its APR application and provided a breakup of the depreciation in Form B of the Petition.

- 3.15.2 The Commission notes that the depreciation amount in Note 39 of the Audited account of IPCL is shown as Rs 1582.47 lakh. IPCL has provided a reconciliation of depreciation claimed in APR. IPCL has deducted the depreciation of Rs 41.01 lakh against the cost of an additional three floors of its building at Salt Lake in Kolkata including the cost of the air conditioning plant and elevator and Rs. 21.89 lakhs for depreciation on leasehold land at the corporate office and claimed an amount of Rs 1,519.57 lakh.
- 3.15.3 Further, the Commission has also restricted the project cost of the DPS 12 MW power station to the approved amount of Rs 6,654 lakhs. Thus, in effect, for 2016-17, depreciation for generation will be only allowable on Rs 6,654 lakhs as noted in the table under para 4.15.1 of the MYT order. However, the Commission notes that IPCL in form B of the Petition has considered a much higher generation asset value (Rs. 11,300.96 lakhs) under depreciation. The Commission has considered a depreciation of Rs 252.60 lakh for the 12 MW Dishergarh plant in APR 2016-17 on an acknowledged Asset of Rs 6,654 lakh. There has been no addition of admissible asset value for the 12 MW Dishergarh plant during FY 2016-17. The Commission accordingly admits Rs 252.60 lakh as depreciation for the 12 MW Dishergarh plant as against the claim for generation function at Rs 384.05 lakh by IPCL in the APR Petition.
- 3.15.4 The total capitalization of the JK Nagar substation as noted from Form 1.19 (b) and Form 1.19 (c) is Rs. 14,589.74 lakhs included in Distribution assets. The approved Project Cost for the JK Nagar substation as per Order dated 22.11.2018 in Case No. OA-57/09-10 is Rs. 11,008.00 lakhs. Cost of the LILO component, as per Order dated 23.12.2020 in Case No. OA-57/09-10 is Rs. 3,860.97 lakhs, which is included in Rs. 11,008.00 lakh. As per Order dated 09.07.2021 in Case No. TP-78/18-19,



return on equity and depreciation are not allowable to IPCL on Rs. 3,860.97 lakh. Therefore, depreciation would be allowable for the JK Nagar substation on the asset value of Rs. 7,147.03 lakhs (Rs. 11,008.00 lakh – Rs. 3,860.97 lakh = Rs. 7,147.03 lakh).

3.15.5 The Commission observes that, a sum of Rs. 427.32 lakh was allowed in APR 2015-16 as depreciation on the J.K. Nagar 220KV substation which achieved connectivity with the STU grid on 11th December 2015. Accordingly, depreciation is allowable for 365 days in 2016-17. Such depreciation is allowable on Rs. 7,147.03 lakhs as mentioned above which comes to Rs. 245.86 lakh. The Commission has determined proportionate depreciation for 220 kV JK Nagar substation for Rs 501.88 lakh on a total asset value of Rs. 14,589.74 lakh based on the available documents submitted during APR 2015-16. Because of the above, the net disallowance for depreciation in respect of 220 KV J.K. Nagar substation accordingly comes to Rs. 256.02 lakh (Rs. 501.88 lakh – Rs. 245.86 lakh).

3.15.6 In Para 69 of the APR petition, IPCL has deducted the depreciation incurred on the cost of an additional 3 floors of its building at Salt Lake in Kolkata of Rs. 40.51 lakhs from their claim of depreciation, which has also been corroborated with the Auditor's Certificate (Annexure 2) of APR application. In addition to this, IPCL has also considered depreciation on leasehold land at the Corporate Office of Rs. 21.89 lakhs and depreciation for Flats at Haldia of Rs. 11.21 lakhs. The same has also been reflected in Form B of their APR application. Capital costs of the said assets were not incurred/sourced from the income of the electricity business of IPCL and/or the assets are not maintained out of income from electricity business of IPCL. Accordingly, the Commission decides not to admit depreciation on additional 3 floors of the building at Salt Lake, on leasehold land at the Corporate Office and flats at Haldia from the total depreciation on assets.



3.15.7 Hence, the net admissible depreciation comes out to be Rs. 1121.39 lakhs, as against the claim of Rs. 1603.97 lakhs by IPCL. Hence, the Commission admits an amount of Rs. 1121.39 lakh under the head of depreciation. Summarising above, the allowable depreciation for 2016-17 is as follows:

Table 3.15-1

Sr.	Particulars	Amount in Rs. Lakh
1	Depreciation expenses as per audited account	1,582.47
2	Less: depreciation on	
A	Additional 3 floors of Kolkata office (Form B)	40.51
B	Leasehold land at corp (Note 14 of audited account)	21.89
C	Depreciation disallowed on generation assets including Chinakuri & 12 MW DPS (para 3.15.3 above) (384.05- 252.60)	131.45
D	JK Nagar S/Stn. (3.15.5 above)	256.02
E	Flat at Haldia	11.21
3	subtotal A to E	461.08
4	Depreciation allowable (Sr 1 – Sr. 3)	1,121.39

3.15.8 Thus Rs 1,121.39 lakh is admitted towards depreciation for 2016-17 with function-wise allocation in the same ratio as claimed by IPCL in its Petition. Function-wise admitted depreciation is as under:

Table 3.15-2

	Generation	Distribution	Amount in Rs. Lakh
Depreciation as per APR application (Form B) Rs. Lakh	384.05	1,219.94	1,603.99
Depreciation admitted Rs. Lakh	252.60	868.79	1,121.39

3.16 Interest on Borrowed Capital:

3.16.1 The Commission in the MYT order has allowed Rs 2,106.62 lakh for 2016-17 towards Interest on borrowed capital, of which Rs 396.78 lakh is allocated for the Generation function and Rs 1,709.84 lakh is for the distribution function. IPCL in its



APR application in form E(B) has claimed Rs 2,555.96 lakh as interest on borrowed capital.

Table: 3.16-1

Sources of loan	Interest in Rs. Lakh
IDBI bank term loan	344.39
South Indian Bank term loan	872.17
Ratnakar Bank term loan-1	103.32
SREI loan-1	382.98
SREI loan-2	344.28
Ratnakar Bank term loan-2	413.56
Corporate bank term loan-2	95.26
Sub Total	2,555.96

3.16.2 The Form C and Auditor's Certificate (Annexure 2) of the APR Application mention a total of Rs. 2,555.96 lakh as interest on capital loans.

3.16.3 As mentioned, in Form 1.9(C), the asset value of the JK Nagar substation was Rs. 14,589.74 lakh and the approved project cost was Rs. 11,008.00 lakh. The Commission has observed that as per form C, there is not any fresh loan drawal in FY 2016-17 by IPCL. Accordingly, the Commission as per para 3.13.2 of APR Order for 2015-16, has considered the loan as Rs 7,493 lakh for the J.K Nagar substation. The loan amount is 68.07% of the approved project cost, and the interest amount of Rs. 872.17 lakh is admitted against the J.K Nagar sub-station.

3.16.4 As mentioned in Form 1.9(B), the asset value of the 12 MW generating station is Rs. 8,882.68 lakhs, whereas the project cost approved during 2nd stage approval is Rs. 6,654.00 lakh. From the submission made in Form C of the APR petition, the Commission has noted that IPCL has availed Rs. 4000 lakhs as a loan for the generating station. The loan amount is 60.11% of the considered project cost. Therefore, the Commission allows Rs. 344.39 lakhs as interest expense for the 12MW plant.



3.16.5 The loan on account of Miscellaneous Capex & General Corporate purpose has been drawn for both fixed asset/capital asset and working capital purposes. As per the statement of IPCL in form C, Non-Convertible Debentures (NCD) have been used to meet working capital requirements.

3.16.6 The Commission has dealt with the issue of NCD borrowings in detail vide its Order dated 22.07.2022 wherein the Commission has not allowed the issuance of NCD and expenses towards issuance of NCD. Accordingly, the Commission in this APR order has not considered such loans under capital borrowing as also not claimed by IPCL under capital loan. Further, the Commission has considered the working capital and interest on consumer security deposits separately in this APR order following Regulatory provisions. Thus, only the loan for the DPS 12 MW plant and JK Nagar substation are considered for admittance, totalling to interest expense of Rs. 872.17 lakh + Rs. 344.39 lakh = Rs. 1,216.56 lakh.

3.16.1 The actual repayment of the loan for 2016-17 as per Form C for the DPS 12 MW plant is Rs. 444.44 Lakhs and the actual repayment of the loan for the JK Nagar substation is Rs. 641.64 Lakhs as reflected in Form C. The Commission vide Order dated 22.11.2018 in Case No. OA-57/09-10 has approved the project cost for JK Nagar Sub Station as Rs 11008 Lakhs. Taking into consideration the actual asset addition shown by IPCL in Form B and adjusting the excess addition on account of JK Nagar Substation and DPS 12 MW plant over and above project cost as approved by the Commission is calculated as shown below.

Table 3.16-2

Si No	Particulars	2015-16	2016-17	Data Source
1	Gross Block of Fixed assets as per Form B	45,792.11	43,840.37	Form B.
2	Less: Assets disallowed (A+B+C+D+E+F)			



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A	Additional 3 floors at Salt Lake building	1,663.35	1,666.71	APR Order 2015-16 & Form B for 2016-17
B	Leasehold land at Salt Lake	1,324.55	1,324.55	Form B for 2016-17
C	Flats at Haldia	132.29	724.3	APR Order 2015-16 & Form B for 2016-17
D	Leasehold land at Raghunathpur	1,321.75	0	APR Order 2015-16 & Form 1.18 & Form B for 2016-17
E	Capitalisation above approval at DPS	2,127.27	2,144.71	APR Order 2015-16 & Form B for 2016-17
F	Capitalisation above approval for JK Nagar Sub Station	3,581.74	3,581.74	APR Order 2015-16 & Form 1.19 a for 2016-17
3	Admissible gross block of fixed assets (1-2)	35,641.16	34,398.36	
4	Less: Consumers contributions & Adv.	1555.09	2103.75	From 1.18 vol-1
5	Net Cost of fixed assets (3-4)	34,086.07	32,294.61	
6	Admissible net Addition to fixed assets in 2016-17		-1,791.46	

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

Table 3.16-3

Sl	Normative debt	Derivation	Amount
1	Opening Gross Normative Debt	From APR 2015-16 order	11,777.98
2	Less: Cum Repayment up to the previous year	From APR 2015-16 order	2,890.21
3	Opening Net Normative Debt	3 = 1 – 2	8,887.77
4	Actual addition to the debt during the year	Form C	0



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5	Addition to Fixed assets during the year	Table 3.16-2	-1,791.46
6	Normative addition to debt @ 70% of fixed asset addition	$6 = 5 \times 70\%$	-1254.02
7	Addition to debt to be considered for APR	Higher of 4 & 6	0.00
8	Additional Gross Normative debt for the year	$8 = 7 - 4$	0
9	Repayment of normative debt during the year	10% of (3+8)	888.78
10	Net additional gross normative debt during the year	$10 = 8 - 9$	-888.78
11	The closing balance of net normative debt	$11 = 3 + 10$	7,998.99
12	The average balance of net normative debt	$12 = (3+11) / 2$	8,443.38
13	Weighted average rate of interest	Form C	11.44%
14	Allowable interest on normative debt	$14 = 12 \times 13$	965.92
15	The closing balance of gross normative debt	$15 = 1 + 8$	11,777.98
16	Cumulative repayment of normative debt up to the year	$16 = 2 + 9$	3,778.99

3.16.3 As shown in Form C, the purpose of a loan for borrowed capital is DPS 12 MW unit, thus the interest cost is allocated to the generation function. JK Nagar loan is allocated to the distribution function. For the allocation of normative debt, the ratio of closing GFA as per Form 1.18 is considered. Closing GFA as per Form 1.18 for Generation is Rs. 8,882.68 lakhs and that for distribution has been computed as the difference between total closing GFA and generation closing GFA, i.e., Rs. 29,139.94 lakhs (Rs. 38,022.62 lakhs – Rs. 8,882.68 lakhs). Function wise admitted amount towards interest on borrowed capital and normative debt of IPCL for 2016-17 in the same ratio are shown in Table 3.16-4.

Table 3.16-4

Interest Payable for IPCL in 2016-17 (Rs. Lakh)

	Generation	Distribution	Total
Admissible Asset as per Form 1.18	8,882.68	29,139.94	38,022.62
Normative debt	225.65	740.27	965.92
Borrowed capital interest	284.21	932.35	1,216.56
Total	509.86	1,672.62	2,182.48



3.17 Other Finance Charges

3.17.1 The Commission in the MYT Order for 2016-17 has admitted the amount of Rs. 95.06 lakhs for other finance charges. However, IPCL has claimed Rs. 593.38 lakhs towards other finance charges being other borrowing cost / Non-Convertible Debenture (NCD) issue expenses etc. Form 1.17 and Form E(b) of APR application and Auditor's Certificates (Annexure 2) of APR application also support the claim.

3.17.2 IPCL has claimed Rs. 542.77 lakhs towards bank charges and Rs. 50.61 lakhs towards NCD expenses amortization in their APR application. The Commission has considered the bank charges of Rs 542.77 lakh under the head of Other A&G expenses as shown in Paragraph 3.12.9 above. Hence, the Commission has not considered bank charges of Rs 542.77 lakh under Other Finance charges.

3.17.3 Further, the Commission vide its letter dated 16.08.2022 has sought additional clarification from IPCL which includes the details of other borrowing charges. However, IPCL vide its letter dated 13.09.2022 submitted that post implementation of IndAS, the NCD issue expense has been subsumed into "other Borrowing Cost". The Commission notes that IPCL has not provided the details of other borrowing costs. Further, the Commission in its Order in Case OA 392/21-22 dated 22.07.2022, has disallowed the NCD expenses amortization of Rs. 50.61 lakhs. Accordingly, the Commission has not admitted any amount under the head of Distribution of "Other Finance Charges".

3.18 Advance against Depreciation / Interest Credit.

3.18.1 IPCL in their APR application has not claimed any amount under this head as shown in form 1.17 (e). In the absence of clarity of purpose in the loan drawl mentioned in Form C, the Commission has allowed interest on the loan for the 12 MW generation project and J.K Nagar substation. For the rest of the assets, the Commission has considered a normative loan. Accordingly, the repayment vis-à-



vis the allowable depreciation is considered for computation of Advance against depreciation/interest credit as in Table 3.18-1:

Table 3.18-1

	Advance against depreciation	Amount (Rs Lakh)
1	Allowable repayment of Loan	1,086.08
	a) Repayment loan for generating station	444.44
	b) Repayment of loan for J.K Nagar s/stn (excl LILLO)	641.64
2	1/10th of the original loan amount of allowable loans	1,149.30
3	The maximum permissible amount of loan is restricted to 1/10th of the original loan amount of allowable loans	1,086.08
4	Depreciation	1,121.39
5	Allowable AAD (3-4)	NIL

3.18.2 The Commission has considered the cumulative position from the year 2006-07 (1st APR Order of IPCL) as below:

Table 3.18-2 Cumulative Depreciation, Advanced Against Depreciation and Repayment of Loan

Sr. No	Year	Admitted Repayment of Loan	Depreciation Admitted	Advanced Against Depreciation
	(1)	(2)	(3)	(4)
1	FY 10-11	413.65	496.43	-
2	FY 11-12	-	573.34	-
3	FY 12-13	9.95	751.91	-
4	FY 13-14	-	980.45	-
5	FY 14-15	444.44	809.53	-
6	FY 15-16	444.44	1,016.44	-
7	Total	1312.48	4628.1	-
8	FY 16-17	1,086.08	1,121.39	-



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9	Total up to FY 16-17	2,398.56	5,749.49	-
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3.18.3 Cumulative depreciation admitted upto 2016-17 is Rs 5749.49 lakh and Cumulative AAD Admitted upto 2015-16 is Rs 0 lakh. The cumulative admitted loan repayment up to 2016-17 comes to Rs 2398.56 lakh. The Difference between cumulative admitted loan repayment up to 2016-17 and cumulative depreciation allowed up to 2016-17 works out to be negative, thus No cumulative AAD is allowable up to FY 2016-17. Accordingly, the Commission is not considering any AAD for FY 2016-17.

3.19 Interest Credit:

3.19.1 In terms of regulations 5.5.3 of the Tariff Regulations, where the actual amount of loan repayment in any year falls short of the depreciation allowable during the year, then interest credit of such excess depreciation charges at the rate of weighted average cost of debt is admissible.

3.19.2 Based on the admitted depreciation amount and repayment of loans considered for admitting borrowing cost interest credit is worked out as follows:

Table 3.19-2

Sl. No	Particulars	Amount (Rs. Lakh)
1	Depreciation admitted	1121.39
2	Less: Loan repayment as per Form C	1086.08
3	Excess depreciation over loan repayment (1-2)	35.31
4	Excess depreciation Over loan repayment up to 31.03.2016	3,315.62
5	Cumulative excess depreciation available (3+4)	3,350.93
6	Weighted average interest rate	12.09%
7	Interest credit	405.13



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Such amount is allocated between the generation and distribution function in the ratio of GFA as follows:

ITEM	GEN	DIST	TOTAL
GFA	6654	27,744.36	34,398.36
INT CREDIT	78.37	326.76	405.13

3.19.3 The amount of Rs. 405.13 lakh is admitted as interest credit in APR 2016-17 for distribution as in table 3.19-2 above, and is subject to reconciliation based on the cumulative status of Depreciation, AAD and loan repayment.

3.20 Reserve for unforeseen exigencies

3.20.1 In the MYT order of 2014-15 to 2016-17, the Commission has not allowed any amount towards Reserve for unforeseen exigencies. In para 4.17.4 of the MYT order, the Commission directed that the amount allowed so far with interest has to be invested following the Tariff Regulations.

3.20.2 In the audited annual accounts of IPCL, Note 4, Reserves and surplus indicate that the amount booked under unforeseen exigency reserve and unforeseen exigencies interest reserve is Rs. 342.83 (189.24 + 153.59) lakhs at the end of 2016-17. The total amount under different investments under unforeseen exigency reserve and unforeseen exigencies interest reserve has also been shown in Note 15.1 (b) of the audited annual accounts of IPCL. However, in line with the MYT order, the Commission does not admit any amount under this head for the year 2016-17.

3.21 Bad debt

IPCL has claimed Rs. 17.99 lakhs under this head in APR 2016-17. In the tariff order for 2014-15 to 2016-17, provision for bad debts was not considered. However, the bad debt as per the annual account for the year 2016-17 is within the limit as per regulation 5.10.1 of the Tariff Regulation. Thus, the commission is admitting Rs.



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17.99 lakh towards bad debt for the year 2016-17 with the allocation of the same to the distribution function only.

3.22 Interest on Consumers' Security Deposit:

3.22.1 In Form E(B), IPCL has claimed Rs 150.49 lakh under the head Interest on Consumers' Security Deposit for the year 2016-17 under the distribution function against the admitted expenditure of Rs 118.29 lakhs in MYT. The Total interest claimed as per Form C in the APR application is Rs 150.49 lakh. IPCL has submitted a statement of finance cost certified by the auditor in annexure 2 of the petition wherein the interest of the security deposit is shown as Rs 150.49 lakh.

3.22.2 The Commission thus admits Rs 150.49 lakh towards interest on consumer security deposit for the year 2016-17 and allocates the whole amount to the distribution function. The Second Amendment of Tariff Regulations 2011 classifies interest rates as uncontrollable.

3.23 Income Tax

3.23.1 The Tariff Order of 2016-17 admits an amount of Rs. 433.43 lakhs. IPCL has not claimed any amount in their application under income tax as stated in paragraph 80 of the APR Petition.

3.23.2 IPCL has submitted an income tax Acknowledgment Form as a part of the Auditor certificate in Annexure 2 of the APR application.

3.23.3 Since there is no claim of income tax, the Commission does not admit any amount under taxes on income.

3.24 Return on Equity (ROE):

3.24.1 In terms of regulations 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, IPCL is entitled to have a return on equity base deployed in its generation and distribution functions



@ 15.5% and 16.5% respectively IPCL has claimed Rs. 1,670.66 lakh towards return on equity in APR for 2016-17 against an admitted amount of Rs 2,031.04 lakh in MYT order for 2014-15 to 2016-17. In para 4.18.2 of the MYT order, the Commission directed IPCL to allocate the equity base of IPCL and submit the same with the application Function-wise allocated equity base is available in Form 1.22 of the APR application of IPCL.

3.24.2 In the APR orders 2012-12 and 2013-14, the Commission has worked out the admissible equity for the Generation and Distribution function of IPCL and accordingly proceeded to admit the ROE for the respective years. In the absence of any allocation statement from IPCL, the consolidated actual equity of the power business is worked out from the financial statements of IPCL and thereafter the ROE is admitted based on admissible equity based on the historical equity balance and addition to admissible asset. Such calculation methodology is continued for the present year also.

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

Table 3.23-1

Particulars		31.03.2016	31.03.2017	Reference
		As reflected in APR 2015-16 Order		
		A	B	
Share Capital (Rs. Lakh)	1	9,737.90	9,737.90	Note 4 of the DPSC account
Surplus (Rs. Lakh)	2	8,471.56	-11,453.51	Note 5 of the DPSC account
Gen reserve (Rs. Lakh)	3	436.68	436.68	Note 5 of the DPSC account
Total (Rs. Lakh)	4 = 1+2+3	18,646.13	-1,278.92	
Addition in 2016-17(Rs. Lakh)	5 = B4 - A4		-19,925.05	



3.24.4 As the tariff determination of the IPCL generating plant is not done under availability-based tariff mechanism and as the Chinakuri plant is under shutdown throughout the year 2016-17 thus as per regulation 5.6.1.6 the return on equity will be nil for Chinakuri.

3.24.5 It is noted that the opening Equity considered by the Petitioner in form 1.20(a) of the petition was different from that depicted in audited accounts for the year 2016-17. Subsequently, responses to the queries submitted by IPCL dated 13.09.2022 are considered by the Commission for computation of Return on Equity.

3.24.6 In the MYT order of 2014-15 to 2016-17, in para 4.3.1 it was directed that 5% of the project cost of DPS 12 MW will be withheld till the submission of documents specified in the order. Since IPCL submitted the response to the queries on 13.09.2020 such amount is not being withheld in admitting ROE for the year 2016-17.

3.24.7 As evident from the above table 3.23.1 there IPCL has an accumulated loss of Rs 1278.92 lakhs. It has therefore no free reserve. The equity Base comprises of only the share capital of Rs 9737.90 lakhs for the purpose of admitting ROE. Out of this Rs 1996.20 Lakhs has been considered for DPS 12 Mw plant. The balance of Rs 7741.70 lakhs is considered for the distribution function. Based on the above discussions the ROE for the year 2016-17 is calculated as follows.

Table 3.23-2

Sl No	Particulars	Generation (Rs. Lakh)	Distribution	Total Rs. Lakh
		DPS	(Rs. Lakh)	
1	Admissible Equity Base at the beginning of the year	1,996.20	8,505.03	10,501.23
2	Admissible Equity Base at the end of the year	1,996.20	7,741.70	9,737.90
3	Average Admissible Equity Base for the year	1,996.20	8123.37	10,119.57



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3	Rate of return in %	15.50%	16.50%	
3	Allowable return	309.41	1340.36	1,649.77

3.24.8 Accordingly, the Commission admits Rs 1,649.77 lakh on account of ROE for 2016-17 with the following functional allocation.

Table 3.23-3

	Generation	Distribution	Total in Rs. Lakh
ROE admitted	309.41	1,340.36	1,649.77

3.25 Interest on Working Capital

3.25.1 The amount of Rs. 364.4 lakh under this head was considered in the tariff order for 2016-17. IPCL has claimed Rs 128.68 Lakhs towards a working capital loan. As per the submission in Form 1.17(b), IPCL has indicated the rate of interest of such a loan as 11.46%.

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

Table: 3.24-1

Source	Rate of Interest	Loan (Rs. Lakh)	Amount (Rs. Lakh)
Axis Bank OD A/C	10.50%	4,000	420
100 Crore NCD	10.75%	10,000	1,075
20 Crore NCD (LIC)	12%	2,000	240
IDBI bank -cash credit	11.90%	4,500	535.5
South Indian Bank Ltd- cash credit	12%	5,500	660
Axis Bank cash credit	12.35%	2,700	333.45
Ratanakar Bank Cash Credit	11.65%	4,000	466



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Source	Rate of Interest	Loan (Rs. Lakh)	Amount (Rs. Lakh)
Nusing Vanijya Ltd.	15%	7,900	1185
South Indian Bank Ltd.- Short-term Loan	10.25%	2,500	256.25
Weighted Average Interest rate	11.99%	43,100	5,171.2

In terms of regulations 5.6.5.1 of the Tariff Regulations, the working capital requirement shall be assessed on a normative basis @ 18% on the base amount derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc. However, the above assessment of the requirement of working capital would be 10% instead of 18% on the base amount since IPCL has already introduced Monthly Variable Cost Adjustment and realized for the year 2016-17. The MCLR of SBI as of 01.04.2016 of 12.70%, the MCLR of SBI interest rate is used for calculation of working capital as direction given in case no SM-30/21-22 dated 06.04.2022. The computation of interest on Working Capital is shown in the Table below:

**Table 3.24-2
Interest on Working Capital**

Sl	Particulars	Actual Values In Rs Lakhs
1	Fuel & Power Purchase cost	23,081.31
2	Net Fixed charges	8,949.04
3	Total (1+2)	32,030.35
4	Depreciation	1,121.39
5	Advance against depreciation	0
6	Return on Equity	1,683.57
7	Provision for Bad Debts	17.99
8	Reserve for Unforeseen Exigencies	-
9	Total (4 to 8)	2,822.95
10	Balance (3-9)	29,207.40
11	Normative requirement of Working Capital @10% on Sl No (10)	2,920.74



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12	Less security deposit held in 2016-17	2,626.96
13	Requirement of working capital (11-12)	293.78
14	Interest at state bank MCLR rate 01.04.2016 on above 13	12.70%
15	Actual amount of Interest on working capital	128.66
16	Admissible amount of interest on working capital for the year 2016-17	37.31

3.25.3 As per the provisions of the tariff regulation, the commission has directed IPCL to use the consumer's security deposit as the working capital requirement. The commission noted that the security deposit from the consumer is lower than the required working capital. Accordingly, the commission admits the amount of Rs. 37.31 Lakh as working capital interest in APR 2016-17 of IPCL and allocated between generation and distribution function based on Net ARR as shown in the Table below:

Table 3.24-3

A	Generation-Dishergarh	Rs Lakhs
1	Fuel Cost	960.43
2	Net Fixed Cost	1339.18
3	Net ARR (A1+A2)	2299.61
B	Distribution	
1	Purchase of Power Cost	22120.88
2	Net Fixed Cost	7609.86
3	Net ARR (B1+B2)	29730.74
D	Total Net ARR (A3+B3)	32030.35
E	Allocation-Interest on working Capital-2016-17	
1	Dishergarh (A3/D * E3)	2.68
2	Distribution (B3/D * E3)	34.63
3	Admitted Interest on Capital	37.31

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



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The Commission observed that IPCL has claimed an amount of Rs. 1,159.45 lakhs for a drawal of 58.17 MU of power as net UI charges. In terms of regulation 5.17.2 of the Tariff Regulations, the net UI/ DSM charges payable by a distribution licensee will be considered as an expenditure limited to 5% of the total power purchase cost. The net UI charge payable by IPCL during 2016 – 17 is 5.24% of its total power purchase cost during the year. Hence, the net UI charge of Rs. 1,106.04 (5% of Rs. 22,120.88 lakh) lakh is admitted under the distribution function.

3.27 Income from Other Sources / Non-Tariff Income

The income from other operating revenues as per Form 1.26 submitted by IPCL is Rs.297.03 lakhs against the admitted amount of Rs.508.67 lakhs in MYT. In the annual accounts for DPS Division such income has been shown as other operating revenue in Note 34. However, the amount of Rs. 1,460.70 booked in Note 34 of the accounts has not been considered by IPCL. From Note 34.1 of the accounts for the DPS Division, it is also observed that an amount of Rs. 49.18 lakhs is included in other income which is interest income of unforeseen exigencies and has to be reinvested. The matter of Rent received as treated in APR 2011-12 was under consideration of the Commission following APTEL remand and as clarified during the Remand petition of APR 2011-12 by IPCL such rent received is from an asset that has not been recognized by the Commission for depreciation. Accordingly, the Commission considers that assets which is not recognized for depreciation, and income arising out of the same shall not be considered as well while computing ARR. As per Note 34 of Account, the Commission excluded Rs 3.58 lakhs the gain on fair valuation of mutual fund Thus, except the interest income of unforeseen exigencies and rent received, the balance of Rs. 1,366.71 lakhs (1460.70 – 49.18 – 20.47-24.34) is being considered under non-Tariff income, in the absence of any further detail available from the submissions made by IPCL. This amount of Rs. 1,366.71 lakh is distributed among the distribution function and generation functions in proportion to the energy sent out by generation and energy purchased for the



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distribution business. Accordingly, the total admitted income from other / non-tariff sources is Rs. 1,663.74 lakhs (Rs. 297.03 lakhs+ Rs. 1,366.71 lakhs). IPCL is directed to submit item-wise clarification about the nature of items as considered under 'operating revenue' and 'other income' in Annual Accounts henceforth in every APR petition.

3.28 Admissibility of Capacity Charges based on Availability

- 3.28.1 In terms of regulation 6.4.2 of the Tariff Regulations, the recovery of capacity charge for the generating station of IPCL shall be against normative availability. Schedule 9A of the Tariff Regulations provides for a target Plant Availability Factor (in short "PAF") for coal-fired thermal generating stations.
- 3.28.2 Because during the year 2016-17, only the DPS 12 MW plant was in operation, the PAF during 2016-17 would be 85% on a normative basis as per schedule 9A to the Tariff Regulations. From the data submitted in Form 1.1 and 1.1(a), the actual weighted average PAF in respect of IPCL during 2016-17 was 39.33%. The Commission now decides to deduct capacity charges to the extent of the shortfall in PAF achieved by IPCL during 2016-17.
- 3.28.3 The Commission has admitted the cost under the head of 'Water charges' and "Coal & Ash Handling charges" considering proportionate cost on actual generation vis-à-vis target generation. Thus, the costs allowed under those heads are not considered for disallowances of capacity charges for not attaining the target PAF also in terms of Regulation 5.25.1.
- 3.28.4 Based on the above considerations the disallowance of capacity charge is computed in the Table 3.28-1:



Table 3.28-1

Sl No	Particulars	Amount in Rs Lakhs
1	Allowable Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc.	1,339.77
2	Less: Cost admitted under the head 'Water charges'	0.32
3	Less: Cost admitted under the head 'Coal & Ash Handling Expenses'	38.46
4	Net fixed charges for disallowance: (1)-(2)-(3)	1,300.99
5	Normative PAF as per Tariff Regulation	85%
6	PAF Achieved (Form 1.1 of Volume-1)	39.33%
7	Amount of Capacity Charges admissible (considering provision under regulation 6.11.4 (i) of the Tariff Regulation) $((4)*(0.5+35/85)*(6)/70)$	304.64
8	Amount of capacity charges deductible for the shortfall in PAF (4)-(7)	996.35

3.28.5 The amount of deductible capacity charge of Rs. 1,056.64 lakh for shortfalls in PAF as computed in the table above is to be deducted from the fixed charges for generation function on account of shortfalls in PAF in the APR for 2016 – 2017.

3.29 Fixed Charges as Admitted

Based on the foregoing analyses, the amounts of fixed charges allowable under different heads in respect of IPCL have been shown in Annexure 3B. As shown in the referred annexure, the allowable amount of fixed charges for the year 2016-17 comes to Rs. 7953.14 lakh. of which Rs. 343.28 lakh pertains to Generation and Rs. 7,609.86 lakh pertains to Distribution Function.

3.30 Reliability Incentive:

IPCL has claimed Rs. 648.27 lakh as an Incentive for improving the reliability index. IPCL has submitted weekly interruption details to the Commission in terms of regulation 9.7 (v) of WBERC (Standards of Performance of Licensees Relating to



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Consumer Services) Regulations, 2010, as amended from time to time in support of their claim of reliability. Considering the weekly report submitted by the IPCL reliability index comes to 99.657% against the normative value of 98%, as specified in Paragraph 11 of Schedule 9A of the Tariff Regulations. Now, based on the Admitted Net ARR of the Distribution function amounting to Rs 29730.74 lakh, The admissible incentive in terms of Tariff Regulations comes to $\{Rs. 29730.74 \text{ Lakh} \times (99.657\% - 98\%)\}/98\% = Rs. 502.69 \text{ lakhs}$ in APR 2016-17.

The Commission notes that it has admitted a reliability incentive of Rs 739.78 lakhs considering Rs 45943.37 lakhs net ARR of distribution in APR 2015-16. However, the Commission observed that the net Admitted ARR of the distribution function was Rs 45,018.21 lakhs, Accordingly, the reliability incentives work out to Rs 724.89 lakhs. Hence, there was an excess admission of Rs 14.89 lakhs in APR 2015-16. This excess admission of Rs 14.89 lakhs has been adjusted by the Commission while approving the reliability incentives for APR 2016-17. Accordingly, the net admissible reliability incentive for APR 2016-17 is Rs 487.80 lakh (Rs 502.69 lakh – Rs 14.89 lakh).



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ANNEXURE 3B

Particulars	APR Order
WPI	1.76
CPI	4.18
WPI: CPI (60: 40)	2.73

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

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2015-16	256	258	261	263	264	266	269	270	269	269	267	268
2016-17	271	275	277	280	278	277	278	277	275	274	275	275

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

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2016-17	5.86	6.59	6.13	6.46	5.30	4.14	3.35	2.59	2.23	1.86	3.00	2.61	4.18

Monthly Inflation Rate based on WPI from Office of the Economic Adviser, GOI

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2015-16	110.2	111.4	111.8	111.1	110	109.9	110.1	109.9	109.4	108	107.1	107.7
2016-17	109	110.4	111.7	111.8	111.2	111.4	111.5	111.9	111.7	112.6	113	113.2

Monthly Rate of Inflation computed based on the WPI number from the Office of Economic Adviser, GOI

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2016-17	-1.09	-0.90	-0.09	0.63	1.09	1.36	1.27	1.82	2.10	4.26	5.51	5.11	1.76



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**ANNEXURE 3C
SUMMARY OF FIXED COST [in Rs Lakhs]**

SI No	Particulars	2016-17 APR Claim			2016-17 APR Admitted		
		DPS Gen	Distribution	Total	Generation	Distribution	Total
1	Coal and Ash Handling Charge	116.84	0	116.84	38.46	0	38.46
2	Employee Cost	273.68	3,541.58	3815.26	273.68	3,526.10	3799.78
3	Rates and Taxes	1.74	46.85	48.59	1.31	35.45	36.76
4	Licensee and Filing Fees			0		37.95	37.95
5	O&M Charges for Generation	86.16	0	86.16	86.16	0	86.16
7	O&M for distribution	0	1,622.35	1622.35	0	719.73	719.73
8	Insurance	0	33.28	33.28	0	33.28	33.28
9	Financing Charges	0	593.38	593.38	0	0	0
10	Interest on Borrowed Capital	556.18	3,075.07	3631.25	509.86	1,672.62	2182.48
11	Interest on Consumer Security	0	150.49	150.49	0	150.49	150.49
12	Depreciation	384.05	1,219.94	1603.99	252.6	868.79	1121.39
13	Advance against Depreciation	0	0	0	0	0	0
14	Water Charges	0.37	0	0.37	0.32	0	0.32
15	Taxes on Income	0	0	0	0	0	0
16	Return on equity	412.59	1,258.08	1670.67	309.41	1340.36	1649.77
17	Bad Debt		17.99	17.99		17.99	17.99
18	Net UI charges			0		1,106.04	1106.04
19	Fixed Cost without working capital	1,831.61	11,559.01	13390.62	1,471.80	9,508.80	10980.60
20	Interest on Working Capital	10.30	118.38	128.68	2.68	34.63	37.31
21	Gross Fixed Cost (19+20)	1,841.91	11,677.39	13,519.30	1,474.48	9,543.43	11,017.91
22	Interest Credit		0	0	78.37	326.76	405.13
23	Less; Other Misc. income		297.03	297.03	56.93	1,606.81	1663.74
24	Net Fixed Cost	1,841.91	11,380.36	13,222.27	1,339.18	7,609.86	8,949.04
25	Capacity Charge Disallowable				995.90		995.90
26	Net Fixed charges APR admitted	1,841.91	11,380.36	13,222.27	343.28	7,609.86	7,953.14



CHAPTER – 4
AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

4.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors/elements of fixed charges and fuel and power purchase cost, the re-determined allowable fixed charges for generation and distribution functions as well as fuel and power purchase cost of IPCL during the year 2016-17 came as under at Table 4.1:

Table 4.1

SI No	Particulars	Amount (Rs. In Lakh)		
		Generation	Distribution	Total
1	Admitted Fuel Cost excluding gain on improved distribution loss (para 2.23)	960.43		960.43
2	Admitted Power Purchase Cost excluding gain on improved distribution loss (para 2.23)		22,120.88	22120.88
3	The additional amount on account of savings in the rate of Distribution loss		402.54	402.54
4	Total Fuel and Power Purchase Cost including gain on improved distribution loss (1+2+3)	960.43	22523.42	23483.85
5	Fixed charge allowed (paragraph 3.28)	343.28	7,609.86	7953.14
6	Reliability Incentives		502.69	502.69
7	Less: Excess reliability incentive APR 2015-16		14.89	14.89
8	Total (4+5+6-7)	1,303.71	30,621.08	31,924.79

4.2 The Commission computes the sales revenue earned by IPCL by way of the sale of power to the consumers and WBSEDCL regarding its audited accounts. IPCL has submitted the following details, as mentioned in Table-4.2 in the APR submissions, duly certified by Auditor in Annexure 1 and also in Form 1.25:



Table 4.2

Particulars	Amount (Rs. Lakhs)
Energy Charge	32,689.21
Demand Charge	5,444.05
Additional Demand Charge	136.16
Load Factor penalty	80.85
Fixed Charge	143.89
Power Factor surcharge	263.73
Timely and 'e' payment Rebate	-652.52
Load Factor rebate	-201.97
Power Factor rebate	-607.33
Total	37,296.07

4.3 The Commission observed that the Earnings from the sale of electricity as per Note 33 of the DPSC divisional account of IPCL for FY 2016-17 is Rs 38,893.38 lakhs. The Commission has not considered any other adjustment as per the note 19.2 of the DPSC divisional account. Accordingly, the Commission has considered Rs 38,893.38 lakhs as actual revenue realized from the sale of energy to consumers and WBSEDCL as below.

Table-4.3

Sl. No.	Particulars	Total
1	Total recoverable as per Table 4.1	31,924.79
2	Amount recovered: Earnings from the sale of electricity as per Note 33 of DPSC Divisional accounts of IPCL for the year 2016-17	38893.38
3	Balance recoverable / (adjustable) amount (1-2)	(-) 6,968.59

4.4 Thus, the amount to be recovered from the Licensee and refunded to the Consumers is Rs 6968.59 Lakhs



Order on FPPCA and APR of IPCL for the year 2016 – 17

- 4.5 In terms of regulation 2.6.6 of the Tariff Regulations, the entire amount of excess recovery of Rs. 6968.59 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for any other ensuing year, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of IPCL for the concerned ensuing year accordingly.
- 4.6 This order passed by the Commission shall be subject to any order which may be passed by the Hon'ble Division Bench in the High Court at Calcutta in MAT 1643 of 2015.
- 4.7 IPCL is to take note of this order.
- 4.8 A copy of the order shall be posted on the website of the Commission.
- 4.9 IPCL shall download a copy of the order from the website of the Commission and comply with its directives. A certified copy of the order will be provided to the parties upon application in accordance with the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013, as amended, including the submission of necessary fees.

Sd/-

(PULAK KUMAR TEWARI)
MEMBER

Sd/-

(MALLELA VENKATESWARA RAO)
CHAIRPERSON

DATED: 06.03.2024

Sd/-
(SECRETARY)