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ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY
COMMISSION

IN CASES NO.:
FPPCA – 87 / 17 – 18 AND
APR – 63 / 17 – 18

IN REGARD TO THE APPLICATIONS OF
THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION
COMPANY LIMITED
FOR FUEL & POWER PURCHASE COST ADJUSTMENT (FPPCA)
AND ANNUAL PERFORMANCE REVIEW (APR)
FOR THE FINANCIAL YEAR 2016 – 2017

DATE: 09.02.2022



CHAPTER – 1 PREAMBLE

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time (hereinafter referred to as the 'Tariff Regulations'), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). West Bengal State Electricity Distribution Company Limited (hereinafter referred to as 'WBSEDCL') submitted their application for Annual Performance Review for 2016–2017 on 30.11.2017 in terms of the provision contained in the Tariff Regulations. WBSEDCL has also submitted Fuel and Power Purchase Cost Adjustment (FPPCA) application for 2016–17 on 17.10.2017 for ascertaining the Fuel and Power Purchase Cost Adjustments (in short "FCA") separately. Both the APR and FPPCA application were admitted on 25th August 2021 and numbered as case no APR-63/17-18 and case no FPPCA-87/17-18 respectively.
- 1.2 The APR covers the areas of permissible annual fixed charges, variable charges determination to the applicant, permissible incentives and the effect of gain sharing as per Schedule 9B and Schedule 10 to the Tariff Regulations respectively. In the APR for the year 2016 – 2017, therefore, the review of the different elements of fixed charges, categorized as controllable and uncontrollable has been done to find out the amounts to be permitted to WBSEDCL against each head of element vis-à-vis the amount allowed under the tariff order for 2016 – 2017.
- 1.3 The instant application of WBSEDCL for APR for 2016 – 2017 is its third application of the fourth control period based on audited annual report and accounts for the year 2016 – 17. The adjustments as may arise out of the final admitted amount against the instant application with reference to the Commission's tariff orders dated 04.03.2015 and 28.10.2016 for WBSEDCL for 2016– 2017 in Case No. TP-61/13-14 will be considered for giving effect while determining the amount of revenue recoverable through tariff order of ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.



- 1.4 In the application of APR for 2016 – 2017, WBSEDCL submitted the required data, information and a copy of its audited Annual Report and Accounts for 2016 – 2017. Against the enquiries by the Commission vide letter No WBERC/APR-63/16-17 dated 06-08-2021, WBSEDCL also submitted additional information / data through their letters vide memo no. REG/SERC/253 dated 15-09-2021. On receiving the letters dated 15-09-2021, the application of APR for 2016 – 2017 was admitted by the Commission on 25.08.2021.
- 1.5 On admission of the APR application, WBSEDCL was directed to publish the gist of the APR application 2016 – 2017, as submitted by WBSEDCL and approved by the Commission with reference to the Commissions letter vide no WBERC/APR-63/17-18/050 dated 31-08-2021. Accordingly, the gist was published in four newspapers inviting suggestions / objections, if any, from the public as per following table:

Date of Publication	Newspapers where published	Last date for submission of suggestions / objections as per notification
06-09-2021	The 'Anandabazar', the 'Bartaman' The Telegraph, the 'Aajkal'	Within 21 days from 06-09-2021

The approved gist along with the APR petition for 2016 – 2017 was also published on the website of WBSEDCL. Opportunities were also afforded to all to inspect the application and take copies thereof.

- 1.6 The comments, suggestions, objections on the application for APR for the year 2016 – 2017 of WBSEDCL have been received only from All Bengal Electricity Consumers' Association on 16-09-2021.



CHAPTER – 2

OBJECTIONS AND SUGGESTIONS

2.1 WBSEDCL has made certain prayers and submissions through the APR petition and FPPCA for 2016-2017 and the accompanying forms. It has also submitted audited accounts, auditors' certificates, supporting data, documents, and compliance reports. WBSEDCL has submitted that its net aggregate revenue requirement allowed by the Commission in the Tariff Order was Rs. 1667768.38 lakhs. Against the same, WBSEDCL in Paragraph 2.31.4 of APR application Volume-1 has submitted an aggregate revenue requirement of Rs. 1976511 lakhs. After adjusting the sales revenue realized, WBSEDCL has claimed net amount of Rs. 289199 lakhs.

2.2 **Objections and Comments:**

Against such claim, objections have been received from All Bengal Electricity Consumers' Association (ABECA) against the FPPCA and APR Petitions filed by WBSEDCL. Comments received therein have been dealt with hereunder.

2.2.1 ABECA stated that, in the state of West Bengal, WBPDC is the main power generating Company which, according to ABECA, generates about 99% of power. WBSEDCL generates only hydro-electric power for a small quantity. Thus, there is no requirement for upward adjustment of fuel cost component of WBSEDCL.

The Commission has noted the objections of ABECA. The Commission in this order has dealt the Fuel and Power Purchase Cost Adjustment of WBSEDCL as per provisions of the Tariff Regulations.

2.2.2 ABECA is also of an opinion that the prayer of WBSEDCL shall be rejected, as power price of WBPDC, from which WBSEDCL gets power, has not yet been declared.

The Commission has noted the objections of ABECA. The Commission in this order has finalized the APR of WBSEDCL for 2016 – 17 in accordance with the provisions of the Tariff Regulations.



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2.2.3 ABECA has submitted that the cost of coal has been decreased in the year 2016-17 by about 40%. GST has also been reduced by 7% in 2017 and also technical and commercial losses got reduced. Thus, there shall be downward adjustment of FPPCA for 2016-17 rather than upward adjustment of the same. For that reason, the demand of WBSEDCL is not tenable.

All the factors as submitted by ABECA have been taken into consideration by the Commission as per the Tariff Regulation while finalizing the APR of WBSEDCL for 2016 – 17.

2.2.4 ABECA raised the point that the Government of India has allotted two Captive coal mines to WBPDCCL from where coal is obtainable at a reduced cost by 25% to 30%. So, purchase of power from WBPDCCL is foreseen at a lower rate instead of higher one and there should be no question of upward adjustment in FPPCA.

The Commission in this order has finalized the APR of WBSEDCL for 2016 – 17 in accordance with the provisions of the Tariff Regulations.



CHAPTER – 3

COMPUTATIONS OF THE ALLOWABLE FUEL AND POWER PURCHASE COST

- 3.1 In this part of the order, the Commission takes up the determination of fuel and power purchase cost allowable to WBSEDCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2016-17.
- 3.2 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 formula as specified in schedule 7A to the Tariff Regulations.
- 3.3 FPPCA formula provides for adjustment of allowable fuel and power purchase cost for the gain sharing in accordance with Schedule – 9B to the Tariff Regulations. WBSEDCL has no coal fired thermal power station to operate. Its own generation of electricity is from Hydro Generating stations and in terms of Part – B of the referred schedule, gains accruing to it, if any, due to its actual performance being better than the norms set for any year are to be retained by it without any sharing.
- 3.4 The norm for distribution loss of WBSEDCL for the year 2016-17 was considered to be 17.50% in the tariff order. As it comes out from the data provided by WBSEDCL in its submission, the actual rate of distribution loss of WBSEDCL on the quanta of sales to consumers works out to be as under:

Sl. No.	Particulars	Energy (MU)
1	Total Energy purchased (net of CTU loss) including energy swap in but excluding UI in (Refer Annexure- 3A)	36752.280
2	Energy sent out from own generating stations (See Reference-1)	1620.232
3	STU Grid loss (See Reference-1)	1305.609
4	Net UI Energy drawn (575.903 MU – 188.012 MU) (See Reference-1)	387.891
5	Net Energy Available with WBSEDCL from own generating stations and from purchase of power [(1) +(2) – (3) +(4)]	37454.794
6	Energy sold to persons other than own consumer and licensee and energy swap out including transmission loss (See Reference-1)	2049.568
7	Pumping energy for Purulia Pumped Storage Project (PPSP) including normative transmission loss	1548.568



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Sl. No.	Particulars	Energy (MU)
8	Energy available at distribution input for sale to consumer and licensee [(5)-(6)-(7)]	33856.658
9	Energy sold to licensee at EHV & sale to Sikkim (See Reference-1)	240.153
10	Transmission loss on energy sold to licensee & Sikkim considering normative transmission loss at 3.4%	8.453
11	Energy received for wheeling	22.470
12	Energy wheeled (See Reference-1)	21.254
13	Loss for wheeling (See Reference-1)	1.216
14	Net Energy Available with WBSEDCL for sale to own consumers [(8) + (11) - {(9)+(10)+(12)+(13)}]	33608.052
15	Energy sold to own consumers and sale to licensee at HV level (See Reference-1)	24320.504
16	Own consumption (See Reference-1)	50
17	Distribution loss [(14) - {(15) + (16)}]	9237.548
18	Distribution loss in % [(17) / (14) x 100]	27.49%

Reference-1: Statement of Technical Particulars in Annual Report and Accounts of WBSEDCL for 2016 - 17.

3.5 As it can be depicted from the above, the actual distribution loss of WBSEDCL (i.e., 27.49%), as a percentage of power available for distribution exceeded the same considered in the tariff order for the concerned year and as such, no gain accrued to it in this respect is required to be shared with the consumers.

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

3.6.1 FC (FUEL COST):

WBSEDCL has got no coal fired thermal generating station to operate. It only operates a diesel generating station at Rudranagar in Sagar Island to meet the local demand. During 2016-2017, there was no generation from that station. WBSEDCL has also not claimed any amount for the year under this head. Accordingly, the Commission has not considered any fuel cost for 2016-2017.

3.6.2 PPC (POWER PURCHASE COST):

3.6.2.1 The quanta of power purchased by WBSEDCL from different sources and cost incurred thereon during 2016-2017 as per submission of WBSEDCL and audited annual report



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and accounts 2016-2017 have been enumerated in Annexure – 3A. As may be seen therein, the quantum of power purchased (net of CTU grid loss) during the year came to 36752.280 MU. The net cost incurred thereon after adjusting the rebate for power purchase is Rs. 1292810 lakhs. Thus, the average cost of power purchase comes to 351.76 paise / kWh as below.

Particulars	Purchase (MU)	Cost (Rs. in Lakhs)
Total Purchase	36752.280	12,92,810.00
Less: Proportionate purchase cost of energy that is sold to the persons other than its own consumers & licensees.	2049.568	72,095.60
Less: Proportionate purchase cost of energy that has been swapped out during the year	0	0.00
Quantum for effecting distribution to consumers and licensees	34702.712	1220714.740
Average per unit (kwh) purchase cost of power for sale to own consumer & other licensee (paise/kWh)		351.76

3.6.2.2 It is seen from SI no 9.0 of the statement of technical particulars of audited accounts that WBSEDCL has drawn 575.903 MU as Deviation Settlement Mechanism (DSM) / unscheduled interchange (UI) during the year 2016-2017 against which the amount payable is Rs. 9550 lakhs (note no. – 34 paragraph A to the Annual Accounts). It is also seen from SI no 16 of the statement of technical particulars of the Annual Accounts that WBSEDCL has also injected 188.012 MU during the year 2016-2017 under DSM / UI against which an amount of Rs. 293.00 lakhs were receivable by them (note no. 32 to the Annual Accounts).

3.7 **C_D: Cost Disallowable:**

3.7.1 The actual amount of energy put to use for distribution to the consumers and licensees of WBSEDCL is computed as below:

Sl. No.	Description	Quantity (MU)
1	Total energy purchased (Net of CTU Grid loss)	36752.280
2	STU Grid Loss	1305.609
3	Net U. I. Energy drawn	387.891
4	Net energy available with WBSEDCL from purchase [(1)-(2)+(3)]	35834.562
5	Energy sold to persons other than own consumers and licensees	2049.568



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6	Energy Swap Out	0.000
7	Pumping energy for Purulia Pumped Storage Project (PPSP) including normative transmission loss	1548.568
8	Net purchased energy available with WBSEDCL for distribution to own consumers and licensees [(4) - {(5) + (6) + (7)}]	32236.426

3.7.2 In accordance with provisions of the Tariff Regulations, the amount of excess power purchase cost works out as under:

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	E _{SC}	Quanta of energy sold to consumers	MU	24320.504
2	E _O	Admitted energy for own consumption	MU	50.00
3	D	Normative distribution loss	%	17.50
4	-	$\frac{E_{SC} + E_O}{(1 - d \times 0.01)}$	MU	29540.00
5	E _{SL}	Energy sold to other licensees at EHV and sale to Sikkim	MU	240.153
6	T	Normative T & D loss for E _{SL} (5)	%	3.40
7	-	$\frac{E_{SL}}{(1 - t \times 0.01)}$	MU	248.606
8	E	Auxiliary consumption in excess of norms	MU	0.00
9	E _g	Energy sent out from own generating station	MU	1620.232
10	E _{Adm}	Purchase of energy admitted [(4) + (7) - (8) - (9)]	MU	28168.38
11	E _P	Total energy purchased for distribution and supply to own consumers and licensees	MU	32236.426
12	E _E	Excess energy purchased [(11) - (10)]	MU	4068.048
13	EP _{Avg}	Average purchase cost	Paise / kwh	351.76
14		Cost of excess power purchase [(12) x (13) / 10]	Rs in Lakhs	143097.64

3.7.2.1 Auxiliary consumption in excess of norms as given in Sl No. 8 above have been detailed below.

Own Generating Station	Generation in MU	Aux in MU	Actual Aux in %	Normative Aux as per Schedule 9A (H)	Excess
Jaldhaka 1	179.545	1.795	1.00%	1.00%	0.00%
Rammam	248.068	2.481	1.00%	1.00%	0.00%
Small Hydro's	100.61	1.007	1.00%	1.00%	0.00%
PPSP	1106.978	18.819	1.70%	1.70%	0.00%



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

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

3.7.4 DSM / UI charge receivable amount during the year 2016-2017 was Rs. 293 lakhs (as per Note 32 of the Annual Accounts for the year 2016-2017) and DSM / UI charge payable amount during the year 2016-2017 was Rs. 9550 lakhs (as per Note 34 para-A of the Annual Accounts for 2016-2017). Thus, the net UI receivable is less than zero.

3.7.5 The ROE for the year 2016-2017 as admitted in this APR-FPPCA order is Rs. 37236.21 lakhs.

3.7.6 The actual distribution loss of WBSEDCL during the year 2016-2017 was 27.49% as against the normative distribution loss of 17.50%. The excess power purchase cost due to excess distribution loss is Rs. 143097.64 lakhs. But in terms of regulation 2.8.6.1 of the Tariff Regulations, the disallowable amount will be limited to Rs. 37236.21 lakhs. Thus, the Commission considers the cost disallowable (C_D) as Rs. 37236.21 lakhs.

3.7.7 The Commission observes that the distribution loss for 2014 – 15, 2015 – 16 and 2016 – 17 were 27.61%, 27.75% and 27.49% respectively. Therefore, the Commission concludes that there has not been any appreciable reduction in the distribution loss during the fourth control period which is contrary to what was expected as per loss reduction trajectory. Accordingly, WBSEDCL is directed to reduce the burden of huge cost on excessive purchase of power and also is directed to take all possible measures including steps to bring down their distribution loss to the normative level and submit an action plan report as sought for by the Commission in para 3.7.7 of the APR Order for 2014 – 15.

3.8 A (PRIOR PERIOD ADJUSTMENTS):



3.8.1 WBSEDCL claimed an amount of Rs. 106773 lakhs being the amount of prior period cost adjustment allowed to following agencies as against the amounts shown therein for the period prior to 2016-2017 towards power purchase cost.

Sl. No.	Agency	Rs (in Lakhs)
1	DPL	496
2	DVC	1931
3	Kamarhatty	-300
4	NHPC	-947
5	NTPC	700
6	PTC	-11
7	Bengal Energy Limited	2898
8	Jharkhand Bijli Vitaran Nigam Limited	7
9	West Bengal Power Development Corporation Limited	101999
Total		106773

The above amounts of arrear payment have duly been provided with Auditors' Certificate in Annexure -1A of the FPPCA Petition.

3.8.2 In view of above, the Commission, admits Rs. 106773 lakhs on actual basis towards prior period adjustment during the year 2016-2017.

3.9 Allowable Fuel and Power Purchase Cost:

3.9.1 Putting the value of factors, as discussed and admitted, in the foregoing paragraphs, the amount of allowable fuel and power purchase cost to WBSEDCL for the year 2016-2017 works out to be as under:

Sl. No.	Particulars / Factors	As admitted by the Commission (Rs. in Lakhs)
1	FC: Fuel Cost	0
2.	PPC: Power Purchase Cost for Consumer & licensee	1220714.40
3.	C _D : Cost Disallowable.	37236.21
4.	A: Prior Period's Adjustment	106773.00
5.	FC+(PPC-C_D) + (+A)	1290251.19



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**ANNEXURE – 3A
ACTUAL POWER PURCHASE FOR 2016-17**

Sl. No.	Sources	Quantum (MU)	Cost (Rs. Lakhs)
1	NTPC	4050.298	148129.00
2	PTC (Chukha, Kiruchu, Tala, J&K, Adhunik, short term)	3731.220	96184.00
3	NHPC (Rangit + Teesta V + TLDP III + TLDP IV)	1854.269	72261.00
4	DVC (Mejia, Short Term + Radial)	846.868	33141.00
5	DPL (220/132+radial)	227.532	8098.00
6	WBPDCCL	21061.572	768630.00
7	DPSC	0.000	0.00
8	Sikkim	0.182	12.00
9	CESC	39.764	2545.00
10	WBREDA	0.000	0.00
11	Tata Power Company Limited, Haldia	124.485	2315.00
12	Himadri Chemicals and Industries Limited	53.131	1673.00
13	Shree Renuka Sugars Limited	55.529	1186.00
14	Reshmi Cements Limited	2.938	70.00
15	Neora Hydro Limited	9.560	344.00
16	Electro Steel Casting Limited	59.246	1499.00
17	Nippon Power Limited	10.717	386.00
18	Kamarhatty	0.000	0.00
19	Bengal Energy Limited	148.185	4090.00
20	TPTCL- MRB	2131.916	75830.00
21	Tata Power Trading Company Limited (short term)	730.804	21043.00
22	NVVNL	428.010	20523.00
23	Adani Energy Limited	458.401	12917.00
24	Concast Bengal Ind. Ltd.	4.959	158.00
25	Maharashtra SEDCL	10.686	245.00
26	JSW	13.350	331.00
27	DB Power	102.834	2736.00
28	Jharkhand Bijli Vitaran Nigam Limited	0.170	10.00
29	PXIL & IEXL	843.992	22030.00
30	Grand Total (1 to 29)	37000.618	1296386.00
31	Less: CTU Grid Loss	-248.338	0
32	Gross Quanta and Cost of Power Purchase (30-31)	36752.280	1296386.00
33	Less: Rebate for timely payment		3576.00
34	Net Power Purchase Cost and Quanta of Energy Purchased (32-33)	36752.280	1292810.00



CHAPTER – 4 FIXED COST DETERMINATION UNDER APR

4.0 Fixed Charges

4.1 The Tariff Regulations specify the classification of different fixed charge elements under controllable and uncontrollable head and also the treatment of variation between projected expenditure and actual expenditure of such fixed charge elements during redetermination of ARR during APR assessment. In its order dated 04.03.2015 in the tariff application of WBSEDCL for the years 2014-15 to 2016-17, the Commission considered some specific principles of calculation for determination of some elements of fixed charge during projection of ARR. The basic premises of such principles of calculation were :

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

4.2 Parameters and formula for fixed charge computation:

4.2.1 In the APR application 2016-17, WBSEDCL has submitted that during FY 2016-17 WBSEDCL has for the first time prepared their Annual Accounts following the Indian Accounting Standard (Ind-AS) as notified under section 133 of Companies Act. Earlier accounts were prepared by following the Generally Accepted Accounting Principles in India (Indian GAAP). WBSEDCL has also submitted that they have recast the balance sheet of FY 2014-15 and Balance Sheet and Profit & Loss account of FY 2015-16 in line with Ind-AS requirements and adjusted the differential amounts in current year's ARR.

4.2.2 WBSEDCL has also stated in their application that adoption of Ind-AS has impacted the Annual Accounts in the following ways:

- i. Difference in presentation of certain account balances.



- ii. Difference in valuation of assets and liabilities and recognition of income and expenditures and
- iii. Difference in opening balances as compared to closing balances in the previous financial year.

WBSEDCL has stated that the net financial impact due to such transition for the year 2014-15 and 2015-16 has been adjusted in the present APR application and for current year, the net financial impact will be amortised in future financial statements of WBSEDCL.

4.2.3 While making projection of expenditures to determine the ARR at MYT stage, the Commission has relied on the past data as per previous Annual Accounts of WBSEDCL which were prepared following Indian GAAP. In terms of regulation 2.6.8 and regulation 2.8.9.5 of Tariff Regulation, the Commission has to apply the same calculation principle as adopted in MYT stage to compare and determine the admissible amount in APR. Thus, it is imperative that the actual expenditures have to be on the same base

4.2.4 It is observed from submission of WBSEDCL in their APR application and their letter dated 15.09.2021, that the adjustments proposed for adoption of new accounting standard IND-AS are mainly under the following heads of expenditure in APR:

- i. Depreciation. (*Refer Para 2.14.2 to 2.14.4 of application*)
- ii. Repair and maintenance. (*Refer Para 2.18.5 of application*)
- iii. Employee cost. (*Refer Para 2.16.3 of application*)
- iv. Income from non-tariff sources. (*Refer Para 2.28.2 to 2.28.6 of application*)
- v. Other Finance charges. (*Refer Para 2.13.2 of application*)

The Commission's observations on each of the above heads of expenditure are as follows:



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- 4.2.4.1 Depreciation is an uncontrollable head of expenditure in ARR for any base year of the control period and the related ensuing years. Impact of adoption of IND-AS on depreciation head is mainly due to treatment of the depreciation on assets created out of consumers contribution and Government grant which were earlier accounted as deduction from current year's depreciation and net depreciation was considered in ARR. In the Ind-AS account depreciation is shown at gross value and the related grant / consumer contribution is amortised in account through other income head. Under this head, for determination of current years admissibility, the Commission will consider the net depreciation after adjustment of the corresponding amount shown as income on assets created out of consumer's contribution and Government grant as shown in Annual Accounts 2016-17. Past adjustment for 2014-15 and 2015-16 on depreciation will also be considered in current year's APR, as the total depreciation booked in accounts throughout life of the assets has to be kept in line with the total depreciation admitted through tariff WBSEDCL shall submit its claim in Form B in future APR Petitions accordingly and submit a reconciliation statement of the values with those appearing in its Statement of Accounts along with the APR Petition.
- 4.2.4.2 Repair and maintenance is a controllable head of expenditure. In this regard the Commission is of the view that the earlier orders of the Commission for determination of APR of previous years have attained finality and thus there is no scope of further adjustment of past periods' amounts in this application or in future periods.
- 4.2.4.3 For the uncontrollable head on account of employee cost, the change is with regard to presentation only, similar to depreciation. As per earlier GAAP, gains or losses on account of remeasurements of post-employment benefit obligations was adjusted in employee cost and net amount was claimed under employee cost. In the Ind-AS compliant accounts, the amounts have been disclosed separately. The Commission considers the employee cost net off the corresponding amount shown as other comprehensive income related to remeasurements of post-employment benefit obligations shown separately in Annual Accounts of 2016-17. WBSEDCL shall submit their claim in future APR Petitions accordingly for maintaining parity and comparability with the ARR admitted.



4.2.4.4 Impact of adoption of Ind-AS on Income from non-tariff sources is mainly due to change in presentation due to depreciation and employee cost as noted in 4.2.4.1 and 4.2.4.3 above and change in estimation of rebate/ discount / LPSC. Since it is decided in 4.2.4.1, above depreciation will be allowed at net value thus the portion of income that in adjusted in depreciation will not be considered under this head. Similarly, Other comprehensive income, adjusted with employee cost, as per para 4.2.4.3 above, will also not be considered under this head. With regard to the change in estimation of rebate/ discount / LPSC, it is felt that in the annual accounting process the year-to-year impact of change in estimation will be automatically taken care of. However, due to change in opening balance, the impact on first year of adoption of Ind-AS of such change in estimation of Discount /LPSC for which benefit is not received / allowed is considered. WBSEDCL shall submit the actual amount of rebates/discounts passed on to the consumers in its future APR Petitions.

4.2.4.5 Expenditure head of other finance charges has been impacted due to inclusion of notional interest calculated to recognize the liability for purchase of power, and liability for capital supplies/ works at their fair value in balance sheet using amortised cost or effective interest rate. The Commission observes that such interest is only a notional adjustment in the accounts to present the fair value of liability related to the actual expenditures booked and does not have any effect on the actual expenditures claimed in ARR. The Commission feels that such notional positive or negative adjustments should not form part of APR and thus does not consider them. WBSEDCL shall submit their claim in future APR Petitions accordingly for maintaining parity and comparability with the ARR admitted.

4.2.5 The values considered during projection and business volume data provided by WBSEDCL in their APR application are now compared with actual inflation indices as available from websites of the Economic Advisor, Govt. of India and Labour Bureau, in Table 4.2-1 below.

Table 4.2-1

Particulars	Tariff Order for 2016-17	Actual Value of 2016-17	Variation in %
CPI in %	9.15	4.15	-54.70



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Particulars	Tariff Order for 2016-17	Actual Value of 2016-17	Variation in %
WPI in %	6.62	3.70	-44.07
Inflation in hybrid index [WPI: CPI (60: 40)] in%	7.63	3.88	-49.15
Please see WPI and CPI detail in Annexure-4C			

4.2.6 The distribution line length and consumer strength for base year 2013-14 as considered in the MYT order of 2014-15 to 2016-17 and actual as per para 23 of APR application 2013-14 is as per Table 4.2-2.

Table 4.2-2

Particulars	Unit	MYT Order	Actual	Increase
DLL in 2013-14	CKM	467924.17	492046.82	24122.65
Consumers (CSM) in 2013-14	(Number)	12855266	13686767	831501

4.2.7 The target business volume parameter is revised for APR determination as per the following table 4.2-3.

Table 4.2-3

Business Volume Parameter	Values in 2016-17			
	Figure as per MYT order	Revised Figure as per paragraph 5.3.7 of MYT Tariff Order	Actual	Changes in % with respect to (c)
(a)	(b)	(c)	(d)	(e)
Distribution Line length (CKM)	703701.07	727823.72	563826	-22.53%
Consumer (Number)	16240567	17072068	17424638	2.07%

4.3 It may be seen from Table 4.2-1 and 4.2-3 above that all the parameters, except the rate of increase in number of consumers, show a downward trend. Consumer increase percentage over the targeted consumer strength considered for 2016-17 is only 2.07% as per table 4.2-3 and thus regulation 2.6.10(v) of Tariff Regulations is not applicable for controllable item. Now the Commission proceeds to review each of such fixed charge elements claimed by WBSEDCL.



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4.4 Transmission charge payable:

4.4.1 Central Transmission Utility (CTU) Charge:

4.4.1.1 Note 34B of the Annual Accounts for 2016-17 of WBSEDCL indicates that WBSEDCL has accounted an amount of Rs 58027 lakhs as current year Transmission charge payable to PGCIL and Rs 8754 lakhs as arrear dues of PGCIL. WBSEDCL has further submitted a certificate from auditor in annexure II volume I of application wherein the short-term open access charge included in power purchase cost as shown in Annual Accounts has been segregated and an amount of Rs 4705 lakhs has been shown as open access charge on power purchase. Such amount has not been claimed in FPPCA. WBSEDCL has further deducted a Rebate on transmission charge of Rs 8 lakhs from the CTU charge, as disclosed in note 34.3 of Annual Accounts, to arrive at the net claim of Rs 71478 lakhs against the earlier admitted amount of Rs 50963 lakhs. A summary of claim as shown in Table 1 under paragraph 2.2.1 of the APR application shows a breakup of amount in WBSEDCL's claim which corroborates with above. The claimed amount of Rs 71478 lakhs (Rs 58027 lakhs + Rs 8754 lakhs + Rs 4705 lakhs – Rs 8 lakhs) is now admitted as CTU charge under distribution function.

4.4.2 State Transmission Utility (STU) Charge:

4.4.2.1 In the tariff order of WBSETCL for the year 2016-17, the Commission admitted the Annual Transmission Charge (in short 'ATC') of WBSETCL at Rs. 117845.19 lakhs which was payable by WBSEDCL as a sole user of the state transmission system. The amount of Rs. 117845.19 lakhs were also considered in the ARR of WBSEDCL on account of STU charges for the year 2016-17. Against such admitted amount actual STU charges of Rs. 115150 lakhs is accounted for in Note-34B of the Annual Accounts of 2016-17 and claimed by WBSEDCL in their APR application for the year 2016-17, under the head STU charges. The said amount of Rs. 115150 lakhs is admitted by the Commission in the APR for 2016-17 and allocated to distribution function.



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4.5 SLDC Charges:

As seen from note 34D of Annual Accounts, WBSEDCL accounted for Rs. 1661 lakhs, with a breakup of Rs 1647 lakhs for current year and Rs 14 lakhs as arrear, as charges payable to SLDC in the year 2016-17 against earlier admitted amount of Rs 2619 lakhs. The Commission admits the amount of Rs. 1661 lakhs paid by WBSEDCL as SLDC charges in the APR for 2016-17 and the entire amount is allocated to distribution function.

4.6 RLDC Charges:

On account of system operation charges to Power System Operation Corporation (POSOCO) WBSEDCL claimed Rs. 437 lakhs for the year 2016-17 against earlier admitted amount of Rs 410 lakhs and the amount is booked in note 34B of Annual Accounts. The said amount of Rs. 437 lakhs are now admitted by the Commission in APR for 2016-17 and the entire amount is allocated to distribution function.

4.7 ERPC Charges:

An amount of Rs. 16 lakhs were accounted for in note 34C of Annual Accounts and claimed by WBSEDCL as Eastern Regional Power Committee (in short "ERPC") charges against the admitted amount of Rs. 15 lakhs in ARR in the tariff order for 2016-17. The entire amount of Rs. 16 lakhs are now admitted in the APR for the year 2016-17 and is allocated to the distribution function.

4.8 VARH Charges:

In para 2.7 of Volume I of their application, WBSEDCL has claimed an amount of Rs 2182 lakhs towards payment of VARH charges with a breakup of Rs 1834 lakhs for current year and Rs 348 lakhs as arrear. Such charges have been also corroborated with the figures in note 34E of the Annual Accounts of WBSEDCL for 2016-17. No amount was admitted in MYT under this head. WBSEDCL has stated in their application that the invoice for VARH charges is claimed to West Bengal SLDC by ERLDC as per CERC - Indian Electricity Grid Code (IEGC) Regulations, 2010. Apparently, such amounts are claimed by RLDC on account of reactive energy charges. The entire



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amount claimed by WBSEDCL under this head is admitted for distribution function for the year 2016-17.

WBSEDCL is directed to take necessary corrective measures to avoid making such payment of VARH charges in future.

4.9 Employee cost:

- 4.9.1 In Form E(B) of the APR application for 2016-17, WBSEDCL has claimed Rs 133234 lakhs towards expenditures on employee cost heads without providing any breakup of expenditure for salary and wages and expenditure for terminal benefit. In tariff order for 2016-17, the Commission has admitted Rs 149158.77 lakhs in this head with breakup of Rs 106254.81 towards salaries and wages and Rs 42903.96 for terminal benefit payment. As observed from note no 36 of Annual Accounts, other comprehensive income recognized in the Statement of Profit & Loss Account and form 1.17h submitted by WBSEDCL, out of the claim amount of Rs 133234 lakhs, Rs 59367 is booked as Salaries and related staff expenditures, and Rs 66669 lakhs (net off other comprehensive income of Rs. 7198 lakhs) is booked for terminal benefit. Salaries and related staff expenditures is inclusive of Rs 3 lakhs towards compensation to injuries on death/ damages of staff.
- 4.9.2 WBSEDCL has not included Director's sitting fees of Rs 4 lakh disclosed in Note 39C of the Annual Accounts and instead they have claimed it under Administrative and General (A&G) expenses. In terms of Regulation 5.9.1 of the Tariff Regulations, the Commission considers such expense under employee cost head and not under A&G expenses.
- 4.9.3 Amount claimed under Terminal benefit in Annual Accounts of WBSEDCL differs from the actual amount paid / transferred to funds as per the compliance reports of WBSEDCL submitted in annexure 17A and 23A of volume II and copies of final accounts of the trust funds. In 2016-17, Rs 66669 lakhs (net off other comprehensive income of Rs. 7198 lakhs) has been accounted for under Terminal Benefit in Annual Accounts but actual payout as per annexure 17A and 23A of compliance report in volume 2 of application is Rs 54480 lakhs (Rs 33068 Lakhs + Rs 8045 Lakhs + Rs 2816 Lakhs + Rs 10551 Lakhs). Further, through letter dated 15.09.2021, WBSEDCL submitted that the



actual amount deposited by them is Rs 54832 lakhs (excluding payment of interest on bond).

- 4.9.4 WBSEDCL vide letter dated 15.09.2021 has also submitted that against an amount of Rs 663103 lakhs admitted by the Commission for terminal benefit payment up-to 2016-17 through different APR and Tariff orders, they had deposited only an amount of Rs 428322 lakhs to the Terminal Benefit Funds. Thus, the accumulated shortfall in deposit is Rs 234780 lakhs (Rs 663103 lakhs – Rs 428322 lakhs) upto 2016-17.
- 4.9.5 In line with the earlier APR orders where the Commission had withheld a cumulative amount of Rs. 213558 lakhs upto 2015-16, the Commission withholds the additional shortfall amount accumulated in 2016-17 i.e., Rs 21222 lakhs. The Commission feels that such claim regarding amount payable to terminal benefit fund is a confirmed and inevitable liability arising out of actuarial valuation, admission of such claim after prudence check is also consequential and acknowledged accordingly.
- 4.9.6 WBSEDCL is therefore directed to deposit these amounts to the respective Terminal Benefit fund and furnish necessary documentary evidence through affidavit to the Commission based on which such withheld amount will be released after due examination.
- 4.9.7 Therefore, the Commission admits Rs 59371 lakhs towards staff salary expenditures and Rs. 66669 lakhs towards terminal benefit. However, as explained in paragraph 4.9.5 Rs 21222 lakhs is withheld for 2016-17 on account of Terminal Benefit. The Commission while admitting the terminal benefit expenditures has considered allocation ratio in the proportion of claimed amount of staff salary.
- 4.9.8 Summary of Admittance as discussed above is given in Table 4.9-1 below.

Table 4.9-1

Expenditure Head	Amount in Lakhs Rs			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Employee Cost (Salaries)	59,367.00	1330.17	58040.83	59371
Employee Cost Others (Terminal benefit)	73,867.00	1493.00	65176.00	66669
Total	1,33,234.00	2823.17	123216.83	126040



4.10 Operation and Maintenance (O&M) Expenses:

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

4.10.1.1 Against the admitted expenditure of Rs 4707.65 lakhs, WBSEDCL has claimed Rs 5082 lakhs as O&M expenditures for Generation. O&M expenditure is a controllable expenditure using operating norms and hence shall be guided by Regulation 2.5.5 (ii) of the Tariff Regulation.

4.10.1.2 Further WBSEDCL vide letter dated 15.09.2021 submitted that the total installed capacity of their own generating station is 1076.55 MW which includes 89.55 MW installed capacity for small hydro stations. The Commission observes that in the Director's report of Annual report of 2016-17, the installed capacity of is 1075.1 MW of which 88.10 MW is for Small hydro generating station. Accordingly, the Commission considers the annual report of WBSEDCL for admitting O&M Cost and accordingly total O&M cost comes to Rs 4571 lakhs as per following Table:

Table 4.10-1

O&M COST FOR GENERATING STATION OF WBSEDCL			
Name Of Plant	Installed Capacity	O&M cost in Rs Lakh/MW	O&M cost in Rs Lakh
PPSP	900	2.37	2133.00
Rammam Stage I	51	10.68	544.68
Jaldhaka Stage I	36	15.37	553.32
Small Hydro	88.1	15.21	1340.00
TOTAL	1075.1		4571.00

4.10.1.3 Thus, the Commission admits the expenditure at normative level i.e., Rs 4571.00 lakhs for generation for the year 2016-17 in terms of Regulation 2.5.5 (ii) of the Tariff Regulation.

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

It is noted from Form 1.15 and 1.17 that WBSEDCL has claimed an amount of Rs 17557 lakhs under this head against the admitted amount of Rs 35133 lakhs in tariff order. The



auditor certificate in annexure 5A volume II also shows the same amount under distribution head. The claim amount is admitted under Distribution head.

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

4.10.3.1 Against the admitted expenditure of Rs 13753 lakhs in the tariff order, WBSEDCL has claimed Rs 13508 lakhs as A&G expenditures for Distribution. It is noted from the breakup provided in forms 1.15 and 1.17 of the application that the total amount comprising Rent, Audit fees, Legal expenditures and other A&G expenditures comes to Rs 13508 lakhs. WBSEDCL has submitted an audit certificate in annexure 5A of volume II detailing the segregation of amounts booked under different expenditure heads in Annual Accounts between generation and distribution function. WBSEDCL has submitted that for Rammam, Jaldhaka and small hydro plants they have claimed at normative level as allowed in ARR and for PPSP claim has been made at actuals. Further no claim has been made for allocation from central expenses. The Commission considers the same for assessing the allowable amount under different heads which is mentioned in Table 4.10-2 below. Directors' sitting fees considered under employee cost (Refer para 4.9.2.) has been excluded from A&G expenses.

4.10.3.2 It is seen that the actual expenditures of rent and Other A&G expenditures in 2016-17 is less than the amount admitted under tariff order of 2016-17 and for auditor's fees and legal charges the actual expenditure in 2016-17 is higher than the admitted amount in the tariff order. As the actual business volume growth of parameters is less than the amount admitted in the tariff order, thus the admitted amount for the elements sensitive to it is required to be kept within the amount admitted in the Tariff order. Moreover, as actual inflation rate is less than the inflation rate considered in the Tariff Order, thus the applicability of regulation 2.6.10(ii) does not arise. Thus, the excess expenditures on Audit and legal head beyond admitted in the Tariff Order are allowed in terms of clause (iv) of regulation 2.5.5 of the Tariff Regulation.

4.10.3.3 Now the total expenditure A&G head is considered in terms of Regulation 2.5.5 of the Tariff Regulations is shown in Table 4.10-2 below.



**Table 4.10-2
Admitted A&G Expenses**

Sl No	Expenditure Head	Amount in Lakhs Rs		
		Admitted in Tariff Order	Claim (Refer Para 4.10.3.1)	Admitted in APR
1	Rent	1350	1215	1215
2	Audit	184	192	184
3	Legal	369	491	369
4	Other A&G	11850	11610	11610
5	Adjustment allowed under regulation 2.5.5(iv) for Audit and Legal	0	0	130
6	Total (1+2+3+5)	13753	13508	13508

4.10.4 The Commission admits Rs 13508 lakhs under Distribution function towards A&G expenditures for 2016-17 APR.

4.11 Outsourcing Expenditure for Distribution

4.11.1 In the Tariff Order of 2014 – 15 to 2016 - 17, the Commission considered the heads of Line Maintenance and Substation Maintenance in a composite manner considering the past trend of these two items of expenditure. The Commission also considered the heads of meter reading expenses and bill distribution expenses as a composite item. However, WBSEDCL has claimed all these as separate heads of expenses.

4.11.2 In the MYT Petition for the 4th control period WBSEDCL proposed outsource expenditures under sub heads of outsource expenditures (excluding manpower and hiring of vehicle cost) and outsource expenditures (including manpower and hire of vehicle cost) separately and the Commission also admitted the ARR in two separate subheads as they are of different nature and categorized as controllable and uncontrollable items respectively in the Tariff Regulations. In their APR application WBSEDCL has claimed all expenditures under the uncontrollable head of outsource expenditures (including manpower and hire-charges of vehicle).

4.11.3 It is observed from the copies of outsourcing contracts submitted that WBSEDCL has been following the similar contract agreements in the APR period 2016-17 as they have been following during MYT projection. In the submission of WBSEDCL in their APR



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application it is found that there is a change in principles adopted in the APR petition from the principles adopted in the MYT Petition. However, in view of provisions of Regulation 2.8.9.5, the Commission now considers the expenditure under outsourcing as per the same principle as was considered in the tariff order.

4.11.4 The escalation indices calculated during projection of ARR for MYT of the fourth control period were based on projected inflation rates and business volume growth. Based on the actual inflation and business volume growth, the escalation index for different elements of outsourcing expenditure are as follows.

Table 4.11-1

Expenditure Element	Applicable growth rate in % ----- \$
Line & SS (ex man)	3.88
Line & SS (man)	4.97
MR & Bill	4.15
MCSU	5.25
Data ware house	4.72
Back office	8.57
Franchisee Cost	10.63
Collection franchisee	3.88
Security	4.91
Call Centre	7.39
\$ -- Please see Annexure-4D	

Barring a few heads of expenses, most of the indices calculated on actual values of inflation and growth parameter show a downward trend when compared with projection.

4.11.5 WBSEDCL claimed Rs 48277 lakhs as Outsourcing Expenditure (Manpower and vehicle hiring) and no amount under Outsourcing Expenditure (Excluding manpower and vehicle hiring) against Rs 21090 lakhs and 11985 lakhs admitted by the Commission respectively under Outsourcing Expenditure (Manpower and vehicle hiring) and Outsourcing Expenditure (Excluding manpower and vehicle hiring) heads. These two ARR items have a number of elements. For each of those elements amount considered for APR has been detailed out in the subsequent paragraphs to find out the admitted amount for two heads namely:

i) controllable item Outsourcing Expense (Excluding manpower and vehicle hiring), and



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ii) uncontrollable item Outsourcing Expense (Manpower and vehicle hiring)

4.11.6 WBSEDCL has demerged the Line maintenance and substation maintenance sub-heads. For admitting the expenditure under different subheads of outsourcing expenditure in line with regulation 2.8.9.5 and regulation 2.6.8 of the Tariff Regulation, the Commission considers the total claim under Line maintenance and substation maintenance sub-heads as a composite claim for Line and substation maintenance which includes the cost for controllable sub-heads of Line and substation maintenance (Excluding manpower and vehicle hiring) and then segregate in line with tariff order between the controllable portion and uncontrollable portion. In the subsequent paragraphs each head is discussed.

4.11.7 Line and substation maintenance (Excluding manpower and vehicle hiring):

Out of the total claim of Rs 15175 lakhs, the Commission considers the amount earlier admitted in ARR of tariff order i.e., Rs 3929 lakhs under this controllable head and balance claim of Rs 11246 lakhs is considered under uncontrollable head of Line and substation maintenance (manpower and vehicle hiring). The Commission admits Rs 3929 lakhs for Line and substation maintenance (excluding manpower and vehicle hiring) under Distribution function.

4.11.8 Line and substation maintenance (manpower and vehicle hiring):

The admitted amount under this head in the ARR of the tariff order is Rs. 10966 lakh. The balance claim of WBSEDCL under uncontrollable head of Line and substation maintenance (manpower and vehicle hiring) as indicated above is Rs. 11246 lakh and is higher than the amount admitted in the Tariff Order.

The admitted amount under this head in 2015-16 APR was Rs 9685 lakhs. Using the actual escalation index as noted in table 4.11-1 above on this expenditure, the expenditure comes to Rs 10166 lakhs.

Since, the escalated expenditure is below the amount admitted in the Tariff Order, the Commission admits Rs. 10966 lakh as admitted in the Tariff Order under Line and substation maintenance (manpower and vehicle hiring).



4.11.9 Meter Reading and Bill Distribution:

The admitted amount under this head in 2015-16 APR was Rs 5258 lakhs. Using the escalation index of this expenditure sub-head as noted in table 4.11-1 above, the expenditure admitted under Distribution function for 2016-17 comes to Rs 5476 lakhs. Since this head is controllable head, the admitted amount in APR 2016-17 is limited to the amount admitted in MYT order i.e., Rs 5435 lakhs.

4.11.10 Mobile Service [MCSU as per SOP Regulation]:

4.11.10.1 Although this is an uncontrollable head, the expenditure under this head has been claimed at an abnormally high level in comparison to the amount projected in MYT application of WBSEDCL and tariff order of the Commission for 2016-17. Observation of the Commission on such abnormally high claim is given hereunder.

4.11.10.2 The claim amount of Rs 13894 lakhs is 326.33% higher than the amount admitted in tariff order 2016-17 i.e., Rs 3259 lakhs. The details of engagement of mobile vans in shifts in different CCC, as provided by WBSEDCL does not justify such abnormal increase. On the issue of such exorbitant increase in expenditure, the Commission, during determination of APR 2014-15, sought clarification from WBSEDCL vide its letter WBERC/APR-52/5393 dated: 05/02/2020 regarding institutional policy of approval and monitoring of MCSU services at different units of WBSEDCL. Based on the reply of WBSEDCL, the Commission has already observed in their order for 2014-15 APR that in absence of an institutional policy there is very little scope of control and monitoring of vital expenditure throughout an organization.

4.11.10.3 The escalation index as per ARR calculation principle in MYT order based on the actual inflation and business volume growth shows a lower value than projection. The admitted amount under this head in the APR for 2015-16 was Rs 2907 lakhs. Using the escalation index of this expenditure sub-head as noted in table 4.11-1 above, the expenditure comes to Rs 3060 lakhs. Since, the escalated expenditure is below the amount admitted in the Tariff Order (Rs 3259 lakhs), the Commission admits Rs. 3259 lakh as admitted in the Tariff Order under MCSU Services.



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- 4.11.11 Claim of WBSEDCL under the subhead franchisee cost is Rs 716 lakhs. Claim amount is less than the admitted amount for this head in MYT, thus claimed amount of Rs 716 lakhs is being admitted for 2016-17 under distribution function.
- 4.11.12 WBSEDCL has claimed an amount of Rs. 2999 lakh under the subheads Security Expense. The Commission has admitted Rs. 4292 lakh in the Tariff Order for 2016 – 17. The Commission has admitted an amount of Rs. 2995 lakh under this head in the APR Order of 2015 – 16. Using the escalation index of this expense sub-head as noted in table 4.11-1 above, the expenditure comes to Rs 3142 lakhs. Since the amount claimed by WBSEDCL is below the escalated expenditure, the Commission admits Rs. 2999 lakh as claimed under Distribution Function.
- 4.11.13 Claims of Call Center Expense is Rs 2489 lakhs for APR 2016-17 under the uncontrollable head of outsourcing expense (manpower and vehicle hiring). The Commission has admitted Rs. 2573 lakh in the Tariff Order for 2016 – 17. The Commission has admitted an amount of Rs. 2276 lakh under this head in the APR Order of 2015 – 16. Using the escalation index of this expense sub-head as noted in table 4.11-1 above, the escalated expenditure comes to Rs 2444 lakh. Since, escalated expenditure is below the amount claimed by WBSEDCL, the Commission admits Rs. 2489 lakh as claimed under Distribution Function.
- 4.11.14 The admitted amount under the controllable heads of Back-office Job and Collection franchisee in tariff order was Rs 353 lakhs and Rs 1411 lakhs respectively. Expenditure claimed under Distribution function for 2016-17 under these heads are Rs 170 lakhs and Rs 1811 lakhs respectively. Claim amount of back-office job being less than the admitted amount in tariff order, is admitted as claimed i.e., Rs 170 lakhs. Admitted amount under Collection franchisee head is limited to the amount admitted in tariff order 2016-17 i.e Rs 1411 lakhs. No amount is Claimed on the element of Data warehousing in APR petition for 2016-17 thus no amount has been admitted.
- 4.11.15 Claims of WBSEDCL for different elements under the controllable head of outsourcing expenditure (Excluding manpower and vehicle hiring) is provided in serial no (2) to (6) in Table 4.11-2 along with the admitted amount in tariff order of 2016-17. In serial no (1) the claimed value has been considered as per paragraph 4.11.12. The table also shows



the admitted amount of those elements in APR for 2016-17 under the head of outsourcing expenditure (Excluding manpower and vehicle hiring) inclusive of adjustment under regulation 2.5.5(iv) of Tariff regulations.

Table 4.11-2

In Rs Lakhs

ADMITTED OUTSOURCING EXPENDITURES (Excluding manpower & Vehicle)				
Sl No	Elements	Admitted in Tariff Order	Claimed in APR	Admitted in APR
1)	Line & Substation Maintenance	3929	3929	3929
2)	Data ware housing	14	0	0
3)	Back-office Job	353	170	170
4)	Franchisee Cost	843	716	716
5)	Meter reading & billing distribution	5435	11023	5435
6)	Collection Franchisee	1411	1811	1411
7)	Sub-Total (1 to 6)	11985	17649	11661
8)	Adjustment under regulation 2.5.5(iv) [11985-11661]			324
9)	Total (7+8)	11985	17649	11985

4.11.16 The amount admitted for the uncontrollable item of Outsourcing Expenses (Including manpower & vehicle) are finalized as per following Table 4.11-3.

Table 4.11-3

In Rs Lakhs

ADMITTED OUTSOURCING EXPENDITURES (Including manpower & Vehicle)			
Elements	Admitted in Tariff Order	Claimed in APR	Admitted in APR
Manpower for Line & substation maintenance	10966.00	11246.00	10966
Security Expenditures	4292.00	2999.00	2999
Call Centre (ZCC/CRC)	2573.00	2489.00	2489
Mobile Service (MCSU)	3259.00	13894.00	3259
Total	21090.00	30628.00	19713



4.12 Some small Expenses:

4.12.1 Lease Rental:

Under Lease Rental, WBSEDCL claimed Rs 2342 lakhs against Rs 3153 lakhs approved in ARR of MYT Order. The said amount is shown in note 39A of the Annual Accounts of WBSEDCL for 2016-17. As the expenditure is considerably within the target limit thus, the claim of WBSEDCL is admitted. The lease rental charge is allocated entirely to Distribution function in the auditor's certificate submitted in annexure 5A of the volume-II of the APR petition. Thus, the Commission admits the amount under distribution function.

4.12.2 Complaint Management Mechanism:

Against Rs 407 lakhs approved in MYT order, claim of Rs 360 lakhs is made under the head Complaint Management. Said amount is shown in note 39A of the Annual Accounts of WBSEDCL for 2016-17. The Commission admits the amount under distribution function as the amount is allocated entirely to Distribution function in the auditor's certificate submitted in annexure 5A of the volume-II of the APR petition.

4.12.3 Rates and taxes:

4.12.3.1 In their application, WBSEDCL has submitted that the expenditure claimed under rates and taxes is mostly service tax. Due to advent of reverse charge mechanism, such expenditure has increased manifolds. There are also some local taxes. WBSEDCL has also submitted that expenditure on rates and taxes, being dependent on external factors like government tax fixation policy, is uncontrollable in nature, and the Commission may accordingly allow such expenditure. WBSEDCL has provided a list of reverse charge details with their application. The Commission accepts the prayer of WBSEDCL considering the fact that taxes are subject to Government policies and uncontrollable in respect of the licensee.

4.12.3.2 In para 2.11.9 of their application, WBSEDCL has claimed Rs 10450 towards rates and taxes but the amount as per form E(B) is Rs 9232 lakhs. It is noted from the note 39.2 of Annual Accounts for 2016-17 that WBSEDCL has booked Rs 9232 Lakhs towards



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rates and taxes. In the audit certificate submitted in annexure 5A Volume -II, it is seen that the rates and taxes amount is shown as Rs 81 lakhs and service tax amount is Rs. 9151 lakhs. WBSEDCL was asked vide a letter dated 06.08.2021 to submit an activity wise breakup of service tax booked for operation and maintenance activity and outsource activity. WBSEDCL, in the letter dated 15.09.2021, submitted a breakup of service tax booked for O&M and for outsource during FY 2016-17 totaling Rs 9153 lakhs with activity wise breakup of Rs 2949 lakhs service tax booked for operation and maintenance activity and Rs 6204 lakhs for outsource activity. As per their submission in their letter dated 15.09.2021 and bookings in Note 39A of Annual Accounts, WBSEDCL has claimed an amount of Rs 6204 lakhs as service tax on outsourcing expenditure of Rs 48277 lakhs. Based on the admitted amount of Rs 31698 lakhs for outsourcing expenditure, the proportionate allowable service tax amount for outsourcing comes to Rs 4073 lakhs ($6204 \times 31698 \div 48277$). Similarly, WBSEDCL has claimed Rs 2949 lakhs as service tax on O&M expenditures of Rs 36147. Based on the admitted amount of Rs 35636 lakhs for O&M expenditure, the proportionate allowable service tax amount for outsourcing comes to Rs 2907 lakhs ($2949 \times 35636 \div 36147$). The other rates and tax expenditures claimed in Form 1.15 and 1.17 is Rs 81.00 lakhs which tallies with the auditor certificate stated above. Thus, total admitted rates and taxes amount is calculated as follows.

Service Tax for Outsourcing	:	Rs 4073 lakhs
Service Tax for O & M	:	Rs 2907 lakhs
<u>Other Rates & Taxes</u>	:	<u>Rs 81 lakhs</u>
Total	:	Rs 7061 lakhs

4.12.3.3 The admitted amount is proportionately allocated between Generation and Distribution function in the ratio of amounts claimed by WBSEDCL against respective functions in APR application. Thus, the amount admitted under generation function comes to Rs 516.98 lakhs and for distribution function the admitted amount is Rs 6544.02 lakhs.

4.12.4 Insurance:

WBSEDCL has claimed an amount of Rs 788 lakhs against earlier admitted amount of Rs 832 lakhs. The said amount is recognized in note 39C of the Annual Accounts of



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WBSEDCL for 2016-17. The said amount for Rs 788 lakhs is now admitted and segregated between distribution and generation function as proposed by WBSEDCL.

4.13 Depreciation:

- 4.13.1 WBSEDCL has claimed an amount of Rs. 88378 lakhs in their APR application for 2016-17 towards depreciation on fixed assets as against Rs. 69042 lakhs allowed in the ARR for the year 2016-17 in the tariff order of WBSEDCL for the 4th control period. In the Form – B of the APR application and note 38 of Annual Accounts of 2016-17, it is found that the depreciation computed and chargeable to revenue account for the year 2016-17 is shown as Rs. 88378 lakhs. To explain such increase in depreciation amount over the admitted amount in MYT, WBSEDCL has submitted that as per requirement of accounting standard Ind-AS, the amortization value on Capital Grant and Subsidies (Rs 19,062 lakhs) and Consumers' contributions towards Capital Assets (Rs.7,864 lakhs), earlier recognized as a deduction from depreciation under previous generally accepted accounting principle (GAAP), has been recognized as income under the head 'other income' in audited accounts of 2016-17. The above amounts have been shown under note 33- Other Income with details in note 33.2 in the audited Annual Accounts of 2016-17.
- 4.13.2 The Commission admits the claim of WBSEDCL reduced by amortization value on Capital Grant and Subsidies (Rs. 19,062 lakhs) and Consumers' contributions towards Capital Assets (Rs. 7,864 lakhs) under the uncontrollable head of depreciation as decided in paragraph 4.2.4.1 above.
- 4.13.3 The amount of Rs. 61452 lakhs (Rs. 88378 Lakhs – Rs. 19062 Lakhs – Rs. 7864 Lakhs) admitted under the head depreciation is allocated to Generation and Distribution in the same ratio as proposed by WBSEDCL. Thus, the allocated amounts come to Rs 5727 lakhs for Generation and Rs 55724 lakhs for Distribution.



4.13.4 Summary of Admittance as discussed above is given in Table 4.13.-1 below.

Table 4.13-1

Expenditure Head	Amount in Lakhs Rs			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Depreciation	88,378.00	5727.44	55724.56	61452.00

4.14 Finance Charges:

4.14.1 Interest on Capital Borrowings:

4.14.1.1 WBSEDCL has claimed interest of Rs. 49852 lakhs on capital borrowing for the year 2016-17. It is seen from note 37A (i) to the Annual Accounts for the year 2016-17, the amount of interest on capital loan was Rs. 49852 lakhs (net of capitalization). The details of the loan and interest on loan payable during the year have been shown in Form-C of the APR application. The interest payable on capital loans during the year as shown in Form-C and also in the Annual Accounts are as shown in Table 4.14-1 below.

Table 4.14-1
Interest calculation for Capital Loan

Sl No	Loan Detail	Amount (in Lakhs Rs)		
		Opening Balance	Closing Balance	Interest
1	LIC Bond	4106	1759	274
2	Non-convertible bond	100000	100000	10086
3	PFC	304	122	13
4	PFC RAPDRP	24914	23851	1975
5	REC	151963	156162	17698
6	REC Package	18312	15599	2792
7	RECL RAPDRP B	19730	30755	2809
8	State Govt	203963	12084	14874
9	RECL (Taken over from REDCL)	10323	10323	877
10	State Govt (Taken over from REDCL)	2032	2032	294
11	Sub Total (Total 1 to 10)	535647	352687	51692
12	Capitalization			1842
13	Net Claim (11-12)			49850



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4.14.1.2 It is noted from the claim of WBSEDCL that interest has been claimed against two loans, one from RECL and another from State Govt (shown under Sl. No. 9 and 10 of Table 4.13-1). As noted from the Annual Accounts that these loans are taken over from WBREDCL. The purpose for which these loans were taken is not on record i.e., whether they are capital loan or working capital loan, has not been disclosed in accounts. At Page 94 of the annual report the issue has been highlighted in the Audit report and in WBSEDCL's reply to audit comments at Page 118 sl no (i) of the annual report WBSEDCL has stated that they did not have any details of the loan and they have approached the State Govt in this regard. It is also noted that no repayment is being made against these loans.

4.14.1.3 In this regard, the Commission has already given its decision on the issue during determination of APR of 2014-15 based on clarification from WBSEDCL vide their letter dated 24.02.2020 in reply to the Commission's letter WBERC/APR-52/5393 dated: 05/02/2020 for determination of the details of such loan in APR of 2014-15. Accordingly, the Commission does not consider this loan for allowing interest on capital borrowing in absence of any documents or records.

4.14.1.4 Considering the above facts, the interest amount of Rs 1171 lakhs for the loans taken over by WBSEDCL from WBREDCL are withheld from distribution function till the details of the loans are available. Thus, Rs 48681 lakhs (Rs 49852 lakhs– Rs 1171 lakhs for REDC Loan) is admitted towards interest on capital borrowing with allocation of 48106 lakhs and Rs 575 lakhs for Distribution function and Generation function respectively.

4.14.2 Interest on Pension Trustee Bonds.

An amount of Rs. 13005.00 lakhs were allowed in the ARR for the year 2016-17 towards interest @ 8.5% on Pension Fund Bonds. In note 37 A (iv) of the Annual Accounts of 2016-17, the amount of Rs 13005 lakhs is noted towards payment of interest on pension trust bond. WBSEDCL has also submitted an audit certificate in annexure 17a Volume -II towards payment of the amount. Hence the amount is admitted. Allocation of admitted amount to the generation and distribution functions has been done as per allocation claimed by WBSEDCL and Rs 515 lakhs and Rs 12490 lakhs are admitted for Generation and Distribution function respectively.



4.14.3 Interest on Working Capital:

4.14.3.1 In their application WBSEDCL has submitted that their Working Capital requirement was fully met from the security deposit of permanent consumers. Hence interest on Working Capital has not been claimed in the APR for 2016-17. The Commission agrees to the submission of WBSEDCL and admits no amount under this head.

4.14.4 Interest on Consumers' Security Deposit:

4.14.4.1 WBSEDCL has submitted audit certificate in respect of security and other deposit from consumer and interest on security deposit in annexure 58A volume II of application. The total amount of consumers' permanent security deposits lying with WBSEDCL as submitted by them was Rs. 249680 lakhs at the end of the year 2016-17. The actual amount of interest accrued on such security deposits during 2016-17 is Rs. 14367 lakhs as against Rs. 8845 lakhs allowed in the Tariff Order.

4.14.4.2 The amount of interest on security deposit accrued as provided in note 37 A (v) of Annual Accounts for 2016-17 and claimed by WBSEDCL, i.e., Rs. 14367 lakhs is admitted and considered under distribution function in the APR for 2016-17.

4.14.5 Other Finance Charges:

4.14.5.1 This head of expenditure is a subhead of financing cost in terms of Regulation 5.6.4 of the Tariff Regulations. Under this sub-head, against the approved amount of Rs 786.11 lakhs in ARR of tariff order, WBSEDCL has claimed Rs 18005 lakhs which includes Government Guarantee Fees of Rs. 17 lakhs, bank charges of Rs. 1469 lakhs and Rs 16519 lakhs towards interest expenditures resulting from fair value accounting of expenditures in accordance with IND_AS requirement as disclosed in Note No. 37(B) of Audited Annual Accounts for 2016-17.

4.14.5.2 In their submission WBSEDCL has stated that the Government Guarantee Fees pertain to charges levied by the State Government for giving guarantee in favour of WBSEDCL for capital borrowings on account of various capital works. WBSEDCL vide its letter dated 06.08.2021 submitted further details of bank charges incurred for capital financing and working capital financing separately.



- 4.14.5.3 In addition to the bank charges and guarantee fees, WBSEDCL has included interest expenditure on liability for Purchase of Power of Rs. 15,268 Lakhs and interest expenditure on liability for capital supplies/ works of Rs. 1,235 Lakhs in their claim. Such amount is on account of the resultant notional interest calculated to recognize the Liability for purchase of power, and liability for capital supplies/ works at their fair value in balance sheet using amortised cost or effective interest rate.
- 4.14.5.4 Such interest is only a notional adjustment in the accounts to present the fair value of liability related to the actual expenditures booked and does not have any effect on the actual expenditures claimed in ARR. WBSEDCL has also proposed some negative adjustments in ARR on the same heads through special allocation in the present APR application. The Commission has decided on this issue in para 4.2.4.5 above and thus does not admit them.
- 4.14.5.5 Considering above, the balance claim of other finance charge of Rs 1486 lakhs incurred by WBSEDCL and claimed in APR is admitted with function wise breakup of Rs 22.28 lakhs under generation head and Rs 1463.72 lakhs under Distribution head as per allocation ratio of claim of WBSEDCL.
- 4.14.5.6 WBSEDCL is directed to henceforth submit the breakup of the bank charges showing the expenditure incurred on account of capital borrowing, working capital requirement etc. as per regulation, separately.

4.15 Bad Debts:

No amount has been claimed by WBSEDCL or booked in Annual Accounts under this head.

4.16 Other expenses:

- 4.16.1 WBSEDCL has claimed in their APR application for 2016-17 an amount of Rs. 154 lakhs under the head "Others" on account of compensation paid to outsiders on injury/ death/ damages and Rs 3605 lakhs on account of loss on demolition/ retirement of Fixed Assets. No amount was admitted in ARR in MYT for 2016-17 under this head.



4.16.2 In line with provisions of clauses 2.2.7 of the Tariff Regulations, the Commission decides not to admit the amount of Rs. 154 lakh in the APR of 2016-17.

4.16.3 Further, WBSEDCL has not furnished any details regarding the claim on account of loss on demolition/ retirement of Fixed Assets. In their application they have only stated that

“2.23.3 This expenditure occurs when a depreciable asset is taken out of service and net of salvage value is received for the asset.”

4.16.4 Also, from the Annual Accounts of WBSEDCL, no details regarding such asset demolition / retirement are noted. Now, in the absence of details in this regard, the claim made by WBSEDCL is not admitted.

4.17 Taxes under Income Tax Act:

4.17.1 WBSEDCL has claimed the return on equity (ROE) on pre-tax grossed up basis. While admitting the ROE, the Commission has considered ROE on Post Tax basis and accordingly, the applicable tax on distribution business is allowed by the Commission under this head.

4.17.2 Note 41 of the annual report and accounts of WBSEDCL indicates that an amount of Rs 1732 lakhs has been provided under tax expenditure for the year 2016-17. In absence of details of actual tax paid, the Commission admits the amount of Rs. 1732 lakhs in the APR for 2016-17. Since the entire equity of WBSEDCL is related to distribution function, the entire amount of admitted income tax of Rs. 1732 lakhs is allocated to distribution function.

4.18 Reserve for Unforeseen Exigencies:

4.18.1 In the Tariff Order for 2016-17 no amount was allowed under this head in the ARR for all the ensuing years of the fourth control period. WBSEDCL also did not claim any amount under this head in their APR application for 2016-17. The Commission also does not consider any amount under this head in the APR for 2016-17.



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4.18.2 In their APR Application, WBSEDCL also did not submit any audit report as specified in regulation 5.24.10 of the Tariff Regulations in spite of specific direction of the Commission.

4.18.3 Further, in the Annual Accounts, no specific investment on this account is noted. WBSEDCL is directed to comply with the direction given in paragraph 3.17.5 of the APR Order of 2014 – 15.

4.19 Return on Equity:

4.19.1 Equity base for allowing returns has got two components, i.e., share capital and free reserve. It comes out from the 'Note no. - 16: Reserve & Surplus' in the audited Annual Accounts for 2016 – 2017 that WBSEDCL had accumulated loss of Rs. 12581 lakhs and Rs. 11115 lakhs at the beginning and end of the year 2016-17 respectively. It has, therefore, no free reserve. The equity base of it is only the amounts of share capital.

4.19.2 The share capital of WBSEDCL in the beginning and in the end of the year 2016-17 was same at Rs. 225674 lakhs as per Annual Accounts Note-15. Since there is no equity addition and also there is no positive contribution from Reserve & Surplus, so no equity addition against fixed assets is considered during the year 2016-17. Thus, the average equity base for allowing returns is considered at Rs. 225674 lakhs.

4.19.3 WBSEDCL has claimed the entire equity for distribution business and computed the Return on Equity on pre-tax grossed up basis in form 1.22 to Volume-1 of the APR application. In the paragraph 4.17.3 above, the Commission admits the amount of 1732 lakhs provisioned by WBSEDCL as Income Tax during the year. Thus, the Commission does not consider return on pre-tax basis as claimed by WBSEDCL. The Commission admits the return on the average equity base under distribution function of Rs. 225674 @ 16.5% which comes to Rs. 37236.21 lakhs to meet the ends of justice in terms of regulation 8.4 of the Tariff Regulations. Such return on equity has been given only on distribution business as the whole equity of WBSEDCL is for distribution function only which is being recognized since MYT tariff order of the third control period.



4.20 Special Allocation:

4.20.1 In the Tariff Order for 2016-17, no amount was allowed under this head in the ARR for all the ensuing years of the fourth control period. WBSEDCL has proposed a deduction of Rs 59575 lakhs from the ARR under this head in their APR application for 2016-17. From the submissions made in para 2.24 of the application and form 1.21 it is seen that the amount proposed by WBSEDCL is on account of adjustments made in financial statements due to implementation of IND-AS for Rs (-) 61472 lakhs and unforeseen breakdown of unit 3& 4 of PPSP for Rs 1677 lakhs.

4.20.2 WBSEDCL has claimed Rs 1677 lakhs on account of major repair expenditures due to the unforeseen breakdown of unit 3 and unit 4 of PPSP. WBSEDCL vide letter dated 15.09.2021 further submitted that the above amount relates to overhauling and other repairing works. Normal repair work is a controllable expenditure and has to be accommodated within the normative O&M expenses as allowed. Hence the same is not considered by the Commission.

4.20.3 Amount claimed by WBSEDCL in form 1.21 in volume 1 annexure 1 of their application under special allocation on account of adjustments made in financial statements due to implementation of IND-AS consists of following heads of expenditure:

A. For FY 2014-15 (In Rs. Lakhs)

1	Transaction cost of Bond	-320
2	Liability for Purchase of power	-42513
3	Liability for Capital supplies works	-5231
4	Govt Grant recognized as income	-19844
5	Impact of rebate / Discount /LPSC for which benefit is not received / allowed.	-1400
Total		-69308

B. For FY 2015-16 (In Rs. Lakhs)

1	Transaction cost of Bond	16
2	Liability for Purchase of power	14039
3	Liability for Capital supplies works	1115
4	Govt Grant recognized as income	-16519
5	Depreciation on grant assets recognized over the useful life	11265



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6	Depreciation of assets created out of inventory item with life more than 1 year	47
7	Inventory used for job whose life is more than a year	-1295
8	Impact of rebate / Discount /LPSC for which benefit is not received / allowed.	-832
Total		7836

4.20.4 In Note 55 of the Annual Accounts 2016-17 such amounts along with other heads of account where impact of first-time adoption of IND-AS has been disclosed. In this regard the Commission has already decided in para 4.2.4.1 to 4.2.4.6 of this order regarding treatment of individual heads of expenditure. Accordingly, the Commission considers admission of following items under Special Allocations:

Rs in Lakhs

SI No	Particulars	2014-15	2015-16	Total
1	Impact of rebate / Discount /LPSC for which benefit is not received / allowed.	-1400	-832	-2232
2	Govt Grant recognised as income	-19844	-16519	-36363
3	Depreciation on grant assets recognised over the useful life	0	11265	11265
4	Depreciation of assets created out of inventory item with life more than 1 year	0	47	47
5	Inventory used for job whose life is more than a year	0	-1295	-1295
Total (1+ 2+3+4+5)		-21244	-7334	-28578

4.20.5 Allocation of such admitted amount of adjustment pertaining to SI no 2 to 5 of the above table, between Generation and distribution functions has been done in the ratio of admitted depreciation. The admitted amount related to SI no 1 of the table above has been allocated wholly to distribution function. The admitted amount for adjustment under this head with allocation to Generation and distribution functions is depicted below:

(In Rs. Lakhs)

Particulars	Claimed	Admitted		
		Generation	Distribution	Total
Adjustment for 2014-15	-69308	-1849.50	-19394.50	-21244.00
Adjustment for 2015-16	7836	-617.64	-6716.36	-7334.00
Breakdown of PPSP	1677	0	0	0.00
Total	-59795	-2467.14	-26110.86	-28578.00



4.21 Income from Non-Tariff Sources.

- 4.21.1 In the ARR of MYT for the fourth control period, a total amount of Rs. 37035.86 lakhs was considered towards the estimated earnings of WBSEDCL from other non-tariff sources and income from investment for 2016-17. WBSEDCL claimed Rs 87103 lakhs as income from Non-Tariff Sources in their APR application.
- 4.21.2 Under 'Other Operating Revenue' (Note no. 32) to the Annual Accounts, total non-tariff income of Rs 47276 lakhs is shown. This amount is reduced by DSM receivable to the tune of Rs 293 lakhs as the same is adjusted in Net DSM Payable head under the ARR. Thus, the net amount comes to Rs. 46983 lakhs and the same is considered under distribution head.
- 4.21.3 As per Note-33 of Annual Accounts WBSEDCL has disclosed a total income of Rs 33624 lakhs which includes an amount of Rs 1834 lakhs on account of Interest from Bank on Fixed Deposits & other Deposits. At para 2.28.8 (i) of their submission WBSEDCL has stated that such interest from bank has not been included as these relate to interest on deposits of unutilized capital fund received from the Governments under different capital project schemes. In this regard WBSEDCL has referred to note 9.4 and 10.2 of Annual Accounts. The said note indicates that fixed deposits with original maturity up to 3 months and more than 3 months are mainly related to unutilized capital fund received from Governments under different capital project schemes. WBSEDCL has claimed Rs 31790 (33624 – 1834) lakhs in their APR application under the head 'Other Income'. The Commission also additionally reduces the amounts on account of Govt. Grant and consumers' contributions from other income as the same has been adjusted with depreciation. The amounts considered under the heads in note 33 of accounts are allocated between distribution and generation function in the ratio of depreciation as admitted.
- 4.21.4 In Note – 34 (H) of Annual Accounts 2016-17 an amount of Rs 1132 lakhs has been disclosed as income from interest received on account of tariff revision. WBSEDCL has included the same in their claim. Total amount is considered under distribution function.



4.21.5 In Note – 42 of Annual Accounts of 2016-17 an amount of Rs 7198 lakhs has been disclosed as income from remeasurements of post-employment benefit obligations. WBSEDCL has included the same in their claim. The same has been considered as decided in para 4.2.4.3 above.

4.21.6 Claims of WBSEDCL under this head as discussed above are included in form 1.26 submitted in volume 1 of application. Total claim of WBSEDCL under this head is admitted and the allocation is made between generation and distribution functions as follows.

Head of income and note reference of Annual Accounts.	Admitted Amount (in Lakhs Rs.)		
	Generation	Distribution	Total
Other operating income as per note 32 (Except DSM) – Allocated to distribution	-	46983.00	46983.00
Other income as per note 33 (Except FD Interesterification of grant and consumer contribution) allocated in ratio of admitted depreciation.	453.33	4,410.67	4864
Interest received on account of tariff revision as per note 34 (H)	-	1132.00	1132.00
Total	453.33	52525.67	52979.00

4.22 Unscheduled Interchange (UI):

4.22.1 As per the Annual Accounts for the year 2016-17 Note No.32 and Note No.34A, the amounts receivable and payable by WBSEDCL towards DSM are respectively Rs. 293 lakhs and Rs. 9550 lakhs respectively. The net amount is Rs 9257 lakhs payable.

4.22.2 WBSEDCL in their APR application for 2016-17 has claimed the net UI payable amount of Rs. 9257 lakhs as expenditure. The Commission in its order regarding Fuel and Power Purchase Cost Adjustment (FPPCA) of WBSEDCL for the year 2016-17 has not considered the net DSM payable amount of Rs. 9257 lakhs and the same is considered in this APR order for 2016-17 under distribution function.

4.23 Benefits to be passed on to consumers and other licensees:

4.23.1 WBSEDCL in their APR application for 2016-17 in form 1.24 has calculated Rs 28963 lakhs as gain from power sold to persons other than consumers and it includes notional sale of power against Swap Out.



4.23.2 It is noted from Sl. no 16 of technical particulars of Annual Accounts of 2016-17 that WBSEDCL has considered cost of 2049.568 MU of power sold to persons other than consumers and licensee and no notional sale against SWAP out. Under revenue from operation as per Note 31 of Annual Accounts, WBSEDCL has considered an amount of Rs 102743 lakhs under sale to trader and no revenue from swap out of power. In addition to above WBSEDCL has considered Rs 2168 lakhs, as shown in Note 31 of the Annual Accounts, as charges for export of power. Based on the submissions of WBSEDCL, provisions of Regulation 5.15.2 (iv) of WBERC (Terms & Conditions of Tariff) (Amendment) Regulations, 2013 and average power purchase cost of Rs 351.76/ KWH as arrived in FPPCA order, the Benefits to be passed on to consumers and other licensees is calculated as follows.

(1)	Share of benefit from sale to others	50%
	a) Sale of power to persons other than consumers and licensee (MU)	2049.568
	b) Notional sale of power against Swap Out (MU)	0.000
(2)	Total Sale (MU): A=a+b	2049.568
	c) Sale of power to persons other than consumers and licensee (Rs. Lakhs) (*)	102743.00
	d) Notional sale of power against Swap Out (Rs. Lakhs)	
(3)	Total Sale (Rs. Lakhs): B=c + d	102743.00
(4)	e) Average purchase price (Paise/ unit)	351.76
	f) Cost of power of sale in 1 (a) above (Rs Lakhs)	72095.60
	g) Cost of power of sale in 1 (b) above (Rs Lakhs)	0.00
	h) Other charges for such sale (Rs Lakhs) **	2168.00
(5)	Total cost of sale (Rs in lakhs) (f + g + h)	74263.60
(6)	Amount of gain (+) / loss (-) derived from such sale (Rs in Lakhs) (3-5)	28479.40
	Share of benefit from sale to others [50% of (6)]	14239.70

4.23.3 In the MYT order for the fourth control period, the Commission considered that the benefits from sale of power to the persons other than its own consumers and licensee will be passed on to the consumers of WBSEDCL on actual basis through APR of the concerned year. Now, the Commission admits the benefit sharing of Rs 14239.70 lakhs being 50% of the amount of gain of Rs 28479.40 lakhs under distribution function as proposed by WBSEDCL.



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4.24 Interest Credit:

WBSEDCL has not claimed any amount towards interest credit detailing the calculation in form 1.17g of the volume 1 of APR application. The admitted depreciation for 2016-17 is Rs 61452 lakhs and repayment of capital loans as per form C is Rs 218320 lakhs. The repayment amount is higher than depreciation amount, thus no interest credit is considered by the Commission for 2016-17.

4.25 Carrying cost of regulatory asset:

4.25.1 WBSEDCL has claimed carrying cost of Rs. 165488 lakh on regulatory assets created by different orders of the Commission at the interest rate as per SBI PLR on 1st April 2013.

4.25.2 The Commission decides not to consider any carrying cost on regulatory assets as claimed by WBSEDCL in this order as there is no provision for allowing carrying cost in the Tariff Regulations.

4.26 Based on above discussions, function wise admitted fixed charges under different heads are summarized in Annexure 4B.



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ANNEXURE 4A

Interest Calculation for Short Term Loan in 2016-17 [in Rs Lakhs]

Agency	Opening Balance	Closing Balance	Average Loan	Interest Rate	Interest on average balance
Syndicate Bank	9000	9000	9000	7.75	697.5
	9676	268	4972	9.30	462.4
UCO Bank	0	11699	5849.5	7.00	409.5
Indian Overseas Bank	43200	43200	43200	8.00	3456.0
	14920	641	7780.5	9.95	774.2
Allahabad Bank	15410	-	7705	7.25	558.6
	49497	60142	54819.5	7.25	3974.4
UBI	64780	80666	72723	9.50	6908.7
PNB	19921	24569	22245	9.50	2113.3
BOI	49612	59263	54437.5	9.10	4953.8
Dena Bank	10526	108	5317	9.95	529.0
Punjab & Sind Bank	39819	39096	39457.5	9.10	3590.6
Canara Bank	44935	49938	47436.5	9.10	4316.7
ICICI Bank	619	0	309.5	10.50	32.5
SBI	58682	55318	57000	9.95	5671.5
Andhra Bank	0	37451	18725.5	9.15	1713.4
Overall	430597	471359	450978	8.53%	38448.71

Weighted Average Interest(38448.71)/450978 X 100 = 8.53%



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ANNEXURE 4B

SUMMARY OF FIXED COST [in Rs Lakhs]

SI NO	Head of ARR	APR Admitted		
		Generation	Distribution	Total
1.	Transmission Charge Paid to CTU	-	71,478.00	71,478.00
2.	Transmission Charge Paid to WBSETCL	-	1,15,150.00	1,15,150.00
3.	POSOCO Charge	-	437.00	437.00
4.	ERPC Charge	-	16.00	16.00
5.	SLDC Charge	-	1,661.00	1,661.00
6.	VARH Charge	-	2,182.00	2,182.00
7.	a) Employee Cost (Salaries)	1,330.17	58,040.83	59,371.00
	b) Employee Cost (Terminal benefits)	1,493.00	65,176.00	66,669.00
8.	Cost of outsourcing manpower related to distribution	-	19,713.00	19,713.00
9.	Cost of outsourcing excluding manpower for distribution	-	11,985.00	11,985.00
10.	Expenses for Complaint Management mechanism	-	360.00	360.00
11.	Insurance	695.00	93.00	788.00
12.	Rates & Taxes	516.98	6,544.02	7,061.00
13.	Operation and maintenance Expenses	4,571.00	-	4,571.00
	Repair and maintenance Expenses (Distribution)	-	17,557.00	17,557.00
	Administrative & General Expenses (Distribution)	-	13,508.00	13,508.00
14.	a) Interest	575.00	48,106.00	48,681.00
	b) Interest on Bond For creation of Pension Fund	515.00	12,490.00	13,005.00
	c) Other Financing Charges	22.28	1,463.72	1,486.00
	d) Interest on Security Deposits	-	14,367.00	14,367.00
15.	Lease Rental	-	2,342.00	2,342.00
16.	a) Depreciation	5,727.44	55,724.56	61,452.00
	b) Advance against depreciation	-	-	-
17.	Intangible Asset Write Off	-	-	-
18.	Bad Debt	-	-	-
19.	Minimum Alternative tax	-	1,732.00	1,732.00
20.	Reserve for unforeseen exigencies	-	-	-
21.	Interest on working Capital	-	-	-
22.	Net UI Payable / Deviation Charge	-	9,257.00	9,257.00
23.	Total Expenditure (sum of 1:22)	15,445.87	5,29,383.13	5,44,829.00
24.	Normative Return	-	37,236.21	37,236.21
25.	Less: Special Allocations [Form 1.21]	2,467.14	26,110.86	28,578.00
26.	Gross Fixed Cost (23+24-25)	12,978.73	5,40,508.48	5,53,487.21
27.	Carrying cost on Regulatory Asset	-	-	-
	a) Less: Other Income [Form 1.26]	453.33	52,525.67	52,979.00
28.	b) Less: Expenses attributable to sale to person other than licensee & consumer [Form 1.24]	-	14,239.70	14,239.70
	c) Less: withheld amount on account of undeposited terminal benefit	-	21,222.00	21,222.00
	Total Deductions from Gross Fixed Cost: sum (40 (a): 40 (d)) (a+b)	453.33	87,987.37	88,440.70
29.	Net Fixed Cost (26+27-28)	12,525.40	4,52,521.11	4,65,046.51



ANNEXURE 4C

Distribution O&M parameters:

Inflation

Particulars	Tariff Order	APR Order
WPI	6.62%	3.70%
CPI	9.15%	4.15%
WPI : CPI (60 : 40)	7.63%	3.88%

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	274	275

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

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2016-17	5.86	6.59	6.13	6.46	5.30	4.14	3.35	2.59	2.23	1.86	2.62	2.61

Average value is computed

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	176.4	178.0	179.1	177.6	176.5	176.5	176.9	177.5	176.8	175.4	174.1	175.3
2016-17	177.8	180.2	182.9	184.2	183.3	183.2	183.6	183.5	183.3	185.1	185.5	185.8

Monthly Inflation Rate based on WPI

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2016-17	0.79	1.24	2.12	3.72	3.85	3.80	3.79	3.38	3.68	5.53	6.55	5.99

Average value is computed



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ANNEXURE 4D

Table showing escalation index for different elements of outsourcing expenditure

Element	Actual Applicable Inflation in 2015-16 (A)	Actual Business Volume increase in % (BGR)	Sensitivity as per MYT (R)	Expenditure increase	Applicable Growth escalation rate in %
1	2	3	4	5=3×4	6=2+5
Line & SS (ex man)	3.88	6.48	0.00	0.00	3.88
Line & SS (man)	4.15	2.94	0.28	0.82	4.97
MR & Bill	4.15	2.94	0.00	0.00	4.15
MCSU	4.15	2.94	0.38	1.10	5.25
Data ware house	3.88	6.48	0.13	0.84	4.72
Back office	3.88	2.94	1.59	4.69	8.57
Franchisee Cost	4.15	6.48	1.00	6.48	10.63
Collection franchisee	3.88	6.48	0.00	0.00	3.88
Security	4.15	2.94	0.26	0.76	4.91
Call Center	4.15	6.48	0.50	3.24	7.39



CHAPTER – 5 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 5.1 Re-determined allowable fixed charges for generation and distribution functions including retail selling activities of WBSEDCL for the year 2016-17, as summarised in previous chapter is Rs 465046.51 lakhs with function wise breakup as shown in table 5.1-1 below.

Table 5.1-1

Particulars	Amount (In lakh Rs)
Fixed charge admitted for Generation	12,525.40
Fixed charge admitted for Distribution	4,52,521.11
Total Fixed charge admitted	4,65,046.51

- 5.2 As per Note no. 31 – (Revenue from sale of power) of Annual Accounts of WBSEDCL for 2016-17, net earnings from sale of energy during the year 2016-17 was Rs. 1787887 lakhs which includes the revenue from sale of energy to persons other than consumers and licensee (sale to trader) to the tune of Rs. 102743 lakhs. Further Rs 2168 lakhs charges for export of power, which has been adjusted in sharing of benefits calculation from sale of power needs to be added back. Thus, the sales revenue earned by WBSEDCL during the year 2016-17 for sale to own consumers and licensee is Rs 1687312 lakhs (Rs 1787887 lakhs – Rs 102743 lakhs + 2168 lakhs).
- 5.3 The amount of total allowable variable costs for the year 2016-17 as determined in this order for Fuel and Power Purchase Cost Adjustment (FPPCA) is Rs. 12,90,251.19 lakhs.
- 5.4 In the tariff order for 2016-17, the Commission considered adjustment of the following amount in ARR to determine the revenue recoverable through tariff for 2016-17.
- 5.4.1 Release of regulatory assets of Rs. 132338 lakhs against APR order of WBSEDCL for 2012 – 2013 as per order dated 13.06.2014 in case no. APR-38/13-14.
- 5.4.2 Release of balance regulatory asset of 33150 lakhs against APR order for 2008 – 2009 in relation to terminal benefit funds against APR order no. 04-63/09-10 dated 24.09.2009.



- 5.4.3 Negative adjustment of Rs. 165488.00 lakhs out of the grant of Rs. 264709.00 lakhs as extended in respect of WBSEDCL by the State Government vide letter no. 148-PO/O/VS/55- 30/2016 dated 05-09-2016.
- 5.5 In the tariff order for 2016-17, the Commission considered for adjustment of Rs. 59539.13 lakhs (Rs 29448 lakhs + Rs 30091.13 lakhs) being the amount payable to WBPDCCL by WBSEDCL in respect of FCA of WBPDCCL for the year 2012-13 & tariff order of new units of WBPDCCL. These amounts are part of fuel cost and accordingly deemed as included in their FPPCA application for 2016-17.
- 5.6 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2016-17 works out as shown in table 5.6-1 below.

Table 5.6-1

Sl No	Particulars	Amount (In lakhs Rs)
1	Variable cost allowed (vide paragraph 5.3 above)	12,90,251.19
2	Allowable net fixed cost (vide paragraph 5.1)	4,65,046.51
3	Aggregate revenue requirement [3 = (1) +(2)]	17,55,297.70
4	Add: Positive adjustment of APR for 2008-09 for terminal benefit (vide paragraph 5.4.2 above)	33,150.00
5	Add: Positive adjustment of APR for 2012-13 APR (vide paragraph 5.4.1 above)	1,32,338.00
6	Total realizable amount for 2016 – 2017 [6 = (3) + (4) + (5)]	19,20,785.70
7	Less: Adjustment of Grant admitted by Govt of West Bengal	1,65,488.00
8	Less: Actual Revenue realized during the year (vide paragraph 5.2)	16,87,312.00
9	Net amount recoverable [(9) = (6) - (7) – (8)]	67,985.70

- 5.7 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of Rs. 67,985.70 lakhs or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2020-21 or that for any other ensuing year or through a separate order, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of WBSEDCL for the year 2020-21.
- 5.8 WBSEDCL is to take a note of this order.



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- 5.9 A copy of the order shall be posted in the website of the Commission.
- 5.10 WBSEDCL and other entities shall download the copy of the order from the website of the Commission and shall act on it. Certified Copies of the Order, if applied for, will be given to the parties after completion of the formalities laid down in West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013 as amended and on submission of necessary fees.

Sd/-

(PULAK KUMAR TEWARI)
MEMBER

Sd/-

(DURGADAS GOSWAMI)
MEMBER

Sd/-

(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

DATED: 09.02.2022

Sd/-
Secretary