



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

**IN CASES NO.:
FPPCA – 102/ 21 – 22 AND
APR – 89 / 21 – 22**

**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 2018 – 2019**

DATE: 27.07.2022



CHAPTER – 1

1. PREAMBLE

- 1.1 Regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended till date (hereinafter referred to as the ‘Tariff Regulations’), specifies that, the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short ‘APR’).
- 1.2 West Bengal State Electricity Distribution Company Limited (hereinafter referred to as ‘WBSEDCL’) submitted their application for Annual Performance Review for 2018–2019 on 24.11.2021 in terms of the provision contained in Tariff Regulations. WBSEDCL has also submitted Fuel and Power Purchase Cost Adjustment (FPPCA) application for 2018–19 on 24.11.2021 for ascertaining the Fuel and Power Purchase Cost Adjustments (in short “FPPCA”) separately. The FPPCA application has been admitted on 26.01.2022 in Case No. FPPCA-102/21-22 and APR application has been admitted on 21.01.2022 in Case No. APR – 89/21-22 the Commission.
- 1.3 The APR covers the areas of permissible annual fixed charges determination to the applicant, permissible incentives and sharing of gain as per Schedule 9B and Schedule-10 to the Tariff Regulations respectively. In the APR for the year 2018 – 2019, 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 adjusted against each head of element vis-à-vis the amount allowed under tariff order for 2018 – 2019.
- 1.4 The instant application of WBSEDCL for APR of 2018– 2019 is under the sixth control period, based on audited annual report and accounts for the year 2018 – 2019. The adjustments as may arise out of the review of the instant application with reference to the aforesaid audited annual report and accounts and the Commission’s tariff orders dated 25.08.2021 for WBSEDCL for 2018– 2019 in Case No. TP-84/19-20 will be considered for giving effect to while determining the amount of revenue adjustable through tariff order of ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.



- 1.5 On admission of the APR application, WBSEDCL was directed to publish the gist of the APR application 2018 – 2019, as submitted by WBSEDCL and approved by the Commission vide letter dated 01.02.2022. Accordingly, the gist was published in four newspapers inviting suggestions / objections, if any, from the public as per following table:

Table 1.5-1

Sl. No.	Date of Publication	Newspapers	Last date for submission of suggestions / objections as per notification
1	09-02-2022	Anandabazar Patrika	21 days from date of publication (inclusive of date of publication)
2	09-02-2022	Aajkal	
3	09-02-2022	Sanmarg	
4	09-02-2022	The Telegraph	

The approved gist along with the APR petition for 2018 – 2019 was also published on the website of WBSEDCL. WBSEDCL had also made available the application of APR for 2018 – 2019 and copy of its audited Annual Report and Accounts for 2018 – 2019 on its website. Opportunity was provided to all to inspect the application and take copies thereof.

- 1.6 Comments, suggestions and objections were received from Ganatantrik Nagarik Samity, Forum of Scientists, Engineers and Technologists (FOSET) and SRG Earth Resources (P) Ltd. on the applications for APR for the year 2018 – 19 of WBSEDCL.



CHAPTER – 2

2. OBJECTIONS AND SUGGESTIONS

2.1 Background:

WBSEDCL has made certain prayers and submissions through the APR petition and FPPCA for 2018-2019 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 Tariff Order was Rs. 18,90,510.27 lakhs. Against the same, WBSEDCL in Paragraph 2.36 of their APR application has submitted total realizable sales revenue for 2018-19 as Rs.21,50,376 lakhs and asked for net revenue recoverable for 2018-19 as Rs 1,91,916 lakhs after adjusting the sales revenue already realized in 2018-19.

2.2 Objections and Comments:

2.2.1 The Commission observed that, Ganatantrik Nagarik Samity, Forum of Scientists, Engineers & Technologists (FOSET) and SRG Earth Resources (P) Ltd. have submitted their comments, suggestions and objections to the Commission on the applications for APR for the year 2018 – 19 of WBSEDCL within the due date given in the gist publication.

2.2.2 Some of the comments received from them are related to renewable issues and environmental protection, open access related issues and other matters which are not directly related to the instant applications of WBSEDCL. In view of the above, the Commission though has noted the comments but has not elaborated those in this order. The comments, suggestions and objections which are only pertaining to the instant application of WBSEDCL have been elaborated and discussed below.

2.2.3 Ganatantrik Nagarik Samity (in short called as “GNS”) inter-alia submitted the following

The Commission should consider carrying cost against the regulatory asset in accordance while issuing APR order of WBSEDCL. The Commission is requested to issue necessary directions, to WBSEDCL to mitigate the problem of cumulative shortfall deposit by depositing the amount to the terminal benefit fund along with deposit of carrying cost of such shortfall amount to make up



loss. Further, the Commission may introduce, a levy or surcharge, for big consumers at high voltages.

2.2.4 SRG Earth resources (P) ltd. (in short called as “SRG”) inter-alia submitted the following;

The Commission is requested to allow carrying cost while issuing APR order of WBSEDCL for 2018-19. The disallowance of appropriate carrying cost of regulatory asset will affect the financial health of the licensee. As a result, the operational activity including repairing and maintenance will be suffered.

2.2.5 Forum of Scientists, Engineers and Technologists (in short called as “FOSET”) inter-alia submitted the following;

The Commission must not allow the carrying cost on account of non-claimed amount through MVCA as WBSEDCL is bound to recover its power purchase cost through MVCA. However, disallowance of carrying cost on regulatory asset will affect the financial health of WBSEDCL which will ultimately affect the operations of the DISCOMS and thus affecting the state and the consumers. Further, the Commission is requested to direct WBSEDCL to provide timely terminal benefits to its employees without any further delay

Commissions’ views

The Commission has noted the comments of GNS, SRG and FOSET. The Commission in this order has finalized the APR and FPPCA of WBSEDCL for 2018 – 19 in accordance with the provisions of the Tariff Regulations.

**CHAPTER – 3****3. COMPUTATIONS OF ALLOWABLE FUEL AND POWER PURCHASE COST**

3.1. In this part of the order, the Commission takes up for determination of fuel and power purchase cost allowable to WBSEDCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2018-19.

3.2. The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2018-19, is to be admitted in terms of the formula as specified in schedule 7A to the Tariff Regulations.

3.3. The FPPCA formula provides for adjustment of allowable fuel and power purchase cost for the gain sharing in accordance with Schedule – 9B to the Tariff Regulations. WBSEDCL has no coal fired thermal power station to operate. As such, the question of gain sharing on this account does not arise.

3.4. WBSEDCL's own source of generation is from Hydro Generating stations. 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 out for any year are to be retained by it without any sharing.

3.5. Norm for distribution loss of WBSEDCL for the year 2018-19 was 17.50% in the tariff order. As it comes out from the data provided by WBSEDCL in its application, the actual rate of distribution loss of WBSEDCL on the quantum of sales to consumers works out as under:

Table 3.5-1

Sl. No.	Particulars	Energy (MU)
1	Total Energy purchased (net of CTU loss) including energy swap in but excluding UI in (refer Annexure- 3A of the Order)	38,931.36
2	Energy sent out from own generating stations (See Reference-1)	1,660.91
3	STU Grid loss (See Reference-1)	1,383.23
4	Net UI Energy drawn (768.57 MU – 212.647 MU) (See Reference-1)	555.92
5	Net Energy Available with WBSEDCL from own generating stations and from purchase of power [(1) +(2) – (3) +(4)]	39,764.96



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Sl. No.	Particulars	Energy (MU)
6	Energy sold to persons other than own consumer and licensee and energy swap out including transmission loss (1857.6 MU + 176.139 MU) (See Reference-1)	2,033.74
7	Pumping energy for Purulia Pumped Storage Project (PPSP) including normative transmission loss	1,544.32
8	Energy available at distribution input for sale to consumer and licensee [(5)-(6)-(7)]	36,186.39
9	Energy sold to licensee at EHV & sale to Sikkim (See Reference-1)	113.52
10	Transmission loss on energy sold to licensee & Sikkim considering normative transmission loss at 3.4%	4.00
11	Energy received for wheeling at 33kV	51.198
12	Energy wheeled (See Reference-1)	47.664
13	Additional unit allowed for wheeling (See Reference-1)	3.534
14	Net Energy Available with WBSEDCL for sale to own consumers [(8) + (11) - {(9) + (10) + (12) + (13)}]	36,069.84
15	Energy sold to own consumers and sale to licensee at HV level (See Reference-1)	27,716.52
16	Own consumption (See Reference-1)	57.75
17	Distribution loss [(14) - {(15) + (16)}]	8,295.12
18	Distribution loss in % [(17)/(14)x100]	23.00%
Reference-1: Statement of Technical Particulars in Annual Report and Accounts of WBSEDCL for 2018-19.		

The actual distribution loss is 23.00%. It is more than the normative distribution loss of 17.50% considered by the Commission in Tariff Order. As such, no gain is accrued to WBSEDCL to share with its customers.

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

3.6.1 FC (FUEL COST):

3.6.1.1 No coal fired thermal generating station is owned and operated by WBSEDCL. It only operates a diesel generating station at Rudranagar in Sagar Island to meet up the local demand. During 2018-19, 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 2018-19 for diesel generation station.

**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 2018-19 as per submission of WBSEDCL and audited annual report and accounts 2018-19 have been enumerated in Annexure – 3A. As may be seen therein, the quantum of power purchased during the year works out to 39,162.92 MU. The cost incurred for total power purchase is Rs. 15,81,801.00 Lakhs.

3.6.2.2 The Commission notes the justification of WBSEDCL for energy sold to the persons other than own consumers and licensees at average variable pooled cost by ensuring the recovery of full fuel cost of the power purchase of long term PPAs (excluding RE). It is observed that, WBSEDCL has considered hydro PPAs for computation of average variable pooled cost. The Commission now decides to recompute the average variable pooled cost by considering all long-term and medium-term power purchase excluding the hydro, renewable and co-generation sources. Accordingly, the average variable cost of pooled power as 289.97 Paise/kWh as shown in Table below

Table 3.6-1

Long Term Thermal Source	Purchased energy (MU)	Energy Charge and MFCA Charge if appl. Rs. In Lakhs	Energy Charge Rate P/kWh
NTPC	5,249.34	1,22,380.00	233.13
Kanti Bijli	191.64	4,798.00	250.36
DVC (Meija V)	296.79	8,230.00	277.30
WBPCL	20,370.96	6,27,323.00	307.95
PTC – Jhabua	22.78	966.00	424.11
PTC - Adhunik	482.74	5,125.00	106.17
PTC- Jaiprakash	60.41	2,570.00	425.43
TPTCL - Maithon Right Bank	1,855.00	48,512.00	261.52
HMEL	72.62	2825.00	389.00
DPL 220kV	709.59	27239.00	383.87
Overall	29,311.88	8,49,968.00	289.97

3.6.2.3 However, the Commission is of the view that, going forward, WBSEDCL need to undertake detailed analysis of demand variation of its own consumers using sophisticated modelling tools



and plan the strategy for intra-day power procurement through flexible options like Real Time Market (RTM) to minimize the excess sale to persons other than own consumers. WBSEDCL is also directed to submit the detailed of its power swapping arrangements in subsequent APR petitions specifying (i) swap-in energy vis a vis swap-out in the same year, (ii) swap-out as initial transaction and swap-in in succeeding year and (iii) swap-in against already swapped-out energy satisfying the provisions of regulation 5.15.2 of the Tariff Regulations.

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

Table 3.6-2

Particulars	Purchase (MU)	Cost (Rs Lakhs)
Total Power Purchase (excluding rebate for timely payment of Rs.3560 lakhs)	39,162.92	15,78,241.00
Less: Proportionate purchase cost of energy that is sold to the persons other than its own consumers & licensees. (at avg. variable pooled cost of 289.97 P/kWh)	1,857.60	53,865.55
Less: Proportionate purchase cost of energy that has been swapped out during the year	176.14	7,098.00
Quantum for effecting distribution to consumers and licensees	37,129.18	15,17,277.45
Average per unit (kWh) purchase cost of power for sale to own consumer & consumer & another licensee (paise/kWh)		408.65

3.6.2.5 It is seen from Sr. No 9.0 of the statement of technical particulars of audited accounts that WBSEDCL has drawn 768.57 MU under Deviation Settlement Mechanism (DSM) during the year 2018-19. It is also seen from Sr No. 16 of the statement of technical particulars of the annual accounts that, WBSEDCL has injected 212.647 MU during the year 2018-19 under DSM. As per note no. – 34(A) to the annual accounts the amount payable in ERPC DSM pool account is Rs. 20,027 Lakhs (No arrear dues.) and Rs.163 Lakhs are receivable from ERPC DSM pool account as per note No. 32 to the annual accounts.

3.6.2.6 Considering the fact that, there is large variation in demand during intra-day in WBSEDCL area, the Commission is of the view that, WBSEDCL need to review their scheduling strategy to minimize the over-drawal from the regional pool. Since this is the APR of 2018-19 and RTM was not in existence in 2018-19, going forward WBSEDCL need to take benefit of RTM for procuring power for meeting intra-day variation instead of over-drawing from regional DSM pool.

**3.7. C_D: Cost Disallowable:**

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

Table 3.7-1

Sr. No.	Description	Quantity (MU)
1	Total energy purchased for effecting distribution to consumers and licensees admitted in table 3.6.2 (Net of CTU Grid loss)	36,897.62
2	STU Grid Loss	1,383.23
3	Net DSM Energy drawn	555.92
4	Net energy available with WBSEDCL from purchase [(1)-(2) +(3)]	36,070.31
5	Pumping energy for Purulia Pumped Storage Project (PPSP) including normative transmission loss	1,544.32
6	Net purchased energy available with WBSEDCL for distribution to own consumers and licensees. [(4) – (5)]	34,525.99

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

Table 3.7-2

Own Generating Station	Generation in MU	Aux in MU	Actual Aux in %	Normative Aux as per Schedule 9A (H)	Excess if any
Rammam	236.77	2.37	1.00%	1%	0.00%
Jaldhaka-1	166.86	1.67	1.00%	1%	0.00%
Mini micro-Hydel	142.11	1.42	1.00%	1%	0.00%
PPSP	1,103.94	18.77	1.70%	1.7%	0.00%
Solar	35.45	0.00	0.00%	0%	0.00%
Total in Mus	1685.137	24.224			



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

Table 3.7-3

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	E_{SC}	Quanta of energy sold to consumers	MU	27,716.52
2	E_O	Admitted energy for own consumption	MU	57.75
3	d	Normative distribution loss	%	17.50%
4	-	$E_{SC} + E_O / (1 - (d \times 0.01))$	MU	33,665.78
5	E_{SL}	Energy sold to other licensees at EH & sale to Sikkim	MU	113.52
6	t	Normative T & D loss for E_{SL} (5)	%	3.40%
7	-	$E_{SL} / (1 - (t \times 0.01))$	MU	117.52
8	E	Aux. consumption in excess of norms (Table 3.7-3)	MU	0.00
9	E_g	Energy sent out from own generating station	MU	1,660.91
10	E_{Adm}	Purchase of energy admitted [(4) + (7) - (8) - (9)]	MU	32,122.38
11	E_P	Total energy purchased for distribution and supply to own consumers and licensees	MU	34,525.99
12	E_E	Excess energy purchased [(11) - (10)]	MU	2,403.61
13	EP_{Avg}	Average purchase cost	Paise/ kWh	408.65
14		Cost of excess power purchase [(12) x (13) / 10]	Rs Lakhs	98,222.96
15	C_d	Cost disallowed (within the limits specified in regulation 2.8.6.1 of the Tariff Regulations)	Rs. Lakhs	37,236.21

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

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



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As per Audited Annual Accounts, DSM charges payable during the year 2018-19 are Rs 20,027 lakhs whereas DSM charges receivable are Rs. 163 lakhs. Thus, net DSM charges receivable is considered zero for FY 2018-19. The ROE for the year 2018-2019 as admitted in this APR-FPPCA order is Rs. 37,236.21 lakhs. Hence the limit of disallowance as per regulation 2.8.6.1 comes to Rs. 37,236.21 lakhs.

3.7.5 The Commission observes that the distribution loss for 2014 – 15, 2015 – 16, 2016 – 17, 2017 – 18 and 2018-19 were 27.61%, 27.75%, 27.49%, 26.69% and 23.00% respectively. Therefore, the Commission concludes that there was no any appreciable reduction in the distribution loss during the period from 2014 – 15 to 2017 – 18, however reduction of 3.69% has been observed in FY 2018-19.

3.7.6 Though, there is reduction in distribution loss for FY 2018-19, the current loss level is much higher than the normative loss of 17.5%. WBSEDCL need to continue its effort for distribution loss reduction well below the normative loss of 17.5%. Accordingly, the Commission directs WBSEDCL, to reduce the burden of huge cost on excessive purchase of power on account of higher losses by taking all possible measures to bring down distribution loss below 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. PRIOR PERIOD ADJUSTMENTS:

3.8.1 WBSEDCL claimed an amount of Rs.50,381 lakhs towards the amount of power purchase cost paid to agencies for the period prior to 2018-19. Auditors' Certificate has been provided in Annexure -1A of the FPPCA Petition for the claimed amounts of arrear payment which corroborates their claim.

Table 3.8-1

Sr No	Agency Name	Amount (Rs. lakhs)
1	DVC	24.00
2	WBPDC	36,566.00
3	NHPC	968.00
4	NTPC	252.00
5	PTC	9.00



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Sr No	Agency Name	Amount (Rs. lakhs)
6	TPTCL	11,979.00
7	KBUNL	41.00
8	NVVN	542.00
	Total	50,381.00

The Commission admits Rs. 50,381 lakhs as per claim of WBSEDCL towards prior period adjustment during the year 2018-2019.

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 2018-2019 works out as under:

Table 3.9-1

Sr. No.	Particulars / Factors	Admitted by Commission (Rs. Lakhs)
1	FC: Fuel Cost	-
2.	PPC: Power Purchase Cost for Consumer & licensee	15,17,277.45
3.	C _D : Cost Disallowable.	37,236.21
4.	A: Prior Period's Adjustment	50,381.00
5.	FC+(PPC-C_D) + (±A)	15,30,727.00



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ANNEXURE – 3A

ACTUAL POWER PURCHASE FOR 2018-19

S. No.	Sources	Quantity (MU)	Cost (Rs. Lakhs)
1	NTPC	5,249.34	1,75,783.00
2	HMEL	72.62	2,825.00
3	NHPC	1,957.48	78,983.00
4	DVC	846.67	38,269.00
5	DPL	762.11	29,545.00
6	WBPDC (Including operating lease)	20,370.96	8,71,385.00
7	Renewable and cogeneration Sources		
a)	WBREDA	0.02	1.00
b)	Tata Power (TPCL), Haldia	36.22	674.00
c)	Electro Steel Casting Limited	49.67	1,257.00
d)	NEORA HYDRO	8.09	291.00
e)	Nippon Power Ltd.	11.48	413.00
f)	Himadri Chemical Ltd	51.15	1,687.00
g)	Shree Renuka sugar	0.00	0.00
h)	Reshmi Cement	7.78	160.00
i)	Bengal Energy Limited	173.50	5,481.00
j)	Concast Bengal Ind. Ltd.	5.14	164.00
k)	NVVN (Bundle Power with 93.718 MU Solar Power)	490.14	22,829.00
l)	Solitaire	1.90	298.00
8	TPTCL (Non-Solar RPO)	319.59	10,674.00
9	Short term (total)	3,879.69	1,68,591.00
10	CESC Ltd.	12.68	829.00
11	Sikkim	0.30	23.00
12	Assam Power	0.53	52.00
13	JVVNL	0.10	11.00
14	PTC	2,558.65	70,428.00
15	TPTCL	1,871.99	80,218.00
16	Kanti Bijli Utpadan Nigam	191.64	11,540.00
17	Energy Swap IN	233.51	9,390.00
18	Grand Total (1 to 17)	39,162.92	15,81,801.00
19	Less: Rebate for timely payment		3,560.00
20	Gross Quanta and Cost of Power Purchase (18- 19)	39,162.92	15,78,241.00
21	Less: CTU Grid Loss	231.56	
22	Gross Quanta and Cost of Power Purchase (20-22)	38,931.36	15,78,241.00



CHAPTER – 4

4 FIXED COST DETERMINATION UNDER APR OF 2018-19**4.1 Background:**

The Tariff Regulations specify the classification of different fixed charge elements under controllable and uncontrollable heads and also the treatment of variation between projected expenditure and actual expenditure of such fixed charge elements during redetermination of ARR in APR. In its order dated 25.08.2021 in the tariff application of WBSEDCL for the years 2018-19, the Commission had considered some specific principles of calculation for determination of some elements of fixed charge during projection of ARR. The basic premises of such principles of calculation were

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

4.2 Parameters and formulas for fixed charge computation:

- 4.2.1 The Commission in paragraph 4.2.4 of the APR Order of 2016 – 17, has decided the principles to be considered for treatment of elements of ARR in line with Indian Accounting Standard (Ind-AS) as notified under section 133 of Companies Act. The same principle has been followed in this APR Order for 2018 - 19.
- 4.2.2 In view of regulation 2.6.10 (v) of 2nd amendment of Tariff Regulations,, the Commission has noted the submission of WBSEDCL for the increase in the distribution line length and consumer strength at the end of the year 2018-19 and end of the year 2017-18 as shown in the Table 4.2-1 below:

Table 4.2-1

Particulars	Unit	Actual end of 2017-18	Actual end of 2018-19	Increase / Decrease (-)
Distribution Line Length	CKM	5,78,217	6,03,535	25,318 (4.38%)
No of Consumers	(Number)	1,81,12,995	1,91,37,802	10,24,807 (5.66%)



4.2.3 Though above table shows that, there is growth in Distribution Line Length and no of consumers during FY 2018-19, the Commission as per the provision of above regulation has also compared the growth projected in Tariff Order 2018-19 and actual at the end of the 2018-19 in the Table 4.2-2 below. Further, the Commission has considered the WPI and CPI for APR Order same as Tariff Order 2018-19.

Table 4.2-2

	Admitted in Tariff Order 2018-19	Actual 2018-19	Increase / Decrease (-)
Distribution Line length – DLL (CKM)	6,03,535	6,03,535	0
Consumer Strength – CS (Number)	1,91,37,738	1,91,37,802	64
DLL increase % for 2018-19 (compared MYT and actual)			0.00%
CS Increase % for 2018-19 (compared MYT and actual)			0.00%
WPI in % (same as Tariff order)	4.26%	4.26%	
CPI in % (same as Tariff order)	5.40%	5.40%	
Inflation in hybrid index [WPI: CPI (60:40)] %	4.72%	4.72%	

4.2.4 It may be seen from Table 4.2-2 above that, the business volume parameters have not shown any significant growth as compared to MYT projections. Since % growth is not more than 5%, the 2nd amendment of tariff regulation 2.6.10 (v) of Tariff Regulations is not applicable for controllable item which is included in the working capital base. With this, now the Commission proceeds to review each of such fixed charge elements claimed by WBSEDCL.

4.3 Transmission charge payable:

4.3.1 Central Transmission Utility (CTU) Charge:

4.3.1.1 Note 34 (B) of the annual accounts for 2018-19 of WBSEDCL indicates that WBSEDCL has accounted for an amount of Rs 67,660 lakhs as current year transmission charge payable to PGCIL and Rs 2,640 lakhs as arrear dues of PGCIL. In para 2.2.3 of their application WBSEDCL has claimed Rs 960 lakhs as paid to NVVNL (as Reimbursement for interstate transfer of solar



power) and Rs 9,679 lakhs as short-term open access charge included in power purchase cost as per para 2.2.4 of the application. WBSEDCL has further deducted a Rebate on transmission charge of Rs 14 lakhs from the CTU charge, as disclosed in paragraph 2.2.3 of APR application, to arrive at the net claim of Rs 80,925 lakhs against the earlier admitted amount of Rs 70,300 lakhs. Note 34.3 of the Annual Audited Accounts mentions rebate for timely payment of Central Transmission Charges as Rs. 14 lakhs. The claimed amount of Rs 80,925 lakhs (Rs 67,660 lakhs + Rs 2,640 lakhs + Rs 960 lakhs+ Rs 9,679 lakhs– Rs 14 lakhs) is now admitted as CTU charge under distribution function.

4.3.2 State Transmission Utility (STU) Charge:

4.3.2.1 In the tariff order of WBSEDCL for the year 2018-19, the Commission admitted the Annual Transmission Charge (in short 'ATC') of WBSETCL at Rs. 1,23,413 lakhs which was payable by WBSEDCL as user of the state transmission system. Against such admitted amount, actual STU charges of Rs. 1,22,064 lakhs and Rs. 7,226 lakhs of arrear dues (WBSETCL) is accounted for in Note-34(B) of the Annual Accounts of 2018-19 and claimed by WBSEDCL in their APR application for the year 2018-19, under the head STU charges. The said amount of Rs. 1,29,290 lakhs is admitted by the Commission in the APR for 2018-19 and allocated to distribution function.

4.4 SLDC Charges:

As seen from note 34(D) of annual accounts, WBSEDCL accounted for Rs. 1,678 lakhs towards charges payable to SLDC in the year 2018-19 against the admitted amount of Rs 1,674 lakhs. However, WBSEDCL has claimed 1,674 lakhs in their APR application. Considering the amount in annual accounts, the Commission admits amount of Rs. 1,678 lakhs paid by WBSEDCL as SLDC charges in the APR for 2018-19 and the entire amount is allocated to distribution function.

4.5 RLDC Charges:

On account of system operation charges to Power System Operation Corporation (POSOCO) WBSEDCL claimed Rs. 352 lakhs for the year 2018-19, which is same as the admitted amount of Rs 352 lakhs. In note 34(B) of annual accounts Rs 305 lakhs is shown as current year's dues and Rs 47 lakhs is shown as negative adjustment for arrear. The said amount of Rs. 352 lakhs is



admitted by the Commission in APR for 2018-19 and the entire amount is allocated to distribution function.

4.6 ERPC Charges:

An amount of Rs. 16 lakhs and 151 lakhs were accounted for in note 34(C) of annual accounts and claimed by WBSEDCL as Eastern Regional Power Committee (in short “ERPC”) charges. The entire amount of Rs. 167 lakhs is admitted in the APR for the year 2018-19 and allocated to the distribution function.

4.7 Reactive Energy (VARH) Charges:

In para 2.7 of their application WBSEDCL has claimed an amount of Rs. 1,209 lakhs towards payment of Reactive Energy (VARH) charge. Such charge has been shown in note 34(E) of the Annual Accounts of WBSEDCL for 2018-19. No amount was admitted in MYT under this head. WBSEDCL has submitted that, the invoice for VARH charges is claimed to SLDC by ERLDC as per CERC - Indian Electricity Grid Code (IEGC) Regulations, 2010. The entire amount claimed by WBSEDCL under this head is admitted for distribution function.

WBSEDCL is directed to take necessary corrective measures for reactive power management to avoid VARH charges payment to regional pool in future as per the para 4.7 of APR 2017-18.

4.8 Employee cost:

- 4.8.1 In the APR application for 2018-19, WBSEDCL has claimed Rs 1,01,564 lakhs towards expenditures on employee cost heads. In tariff order for 2018-19, the Commission had admitted Rs 100356 lakhs. As observed from note no 35 and 42 of annual accounts, other comprehensive income recognized in the Statement of Profit & Loss Account and form 1.17h submitted by WBSEDCL, out of the total employees cost of Rs 1,01,564 lakhs, Rs 1,00,256 lakhs is booked as Salaries and related staff expenditures inclusive of Director’s sitting fees and adjustment of capitalized value. Claim of WBSEDCL for employee cost amounting to Rs. 1,01,564 lakhs— as noted in para 2.16.2 of application is required to be netted off with the Other Comprehensive income (Note 42 of Audited Accounts). The details are tabulated below:



Table 4.8-1

Particulars	As per Tariff Order	As claimed in Petition	As per Audited Accounts
Employees Cost	Rs in Lakhs	Rs in lakhs	Rs in lakhs
Salary & wages (including other staff welfare benefits, compensation and contribution to provident and other funds) ---A	1,00,356.00	1,00,256.00	101,564.00
Production /Performance incentive to employees ---- B		1,327.00	
Ex.L/P Employee Expenditure and EMP CST-Previous years – C		-19.00	
Less Other Comprehensive Income (Note 42 of Audited Accounts) -- D		11,294	11,294
Total ----- (A + B + C -D)	1,00,356.00	90,270.00	90,270.00

4.8.2 WBSEDCL vide para 2.16.2 of APR application has submitted that, the actual employee cost (net of capitalisation, excluding service tax /GST on staff welfare expenses, including 'Director's Sitting Fees' and compensation injuries on death/damages -staff) incurred by WBSEDCL in 2018-19 is Rs. 1,01,564 lakhs. The total employee cost includes cost of employees deputed in WBSEDCL from DPL during January 2019 to March 2019 of Rs. 415 Lakhs.

4.8.3 WBSEDCL has also submitted that, the employee cost for 2018-19 has decreased from that of 2017-18 mainly due to the following reasons:

- The employee strength of WBSEDCL has reduced from 13,596 (Mar 2018) to 13,460 (Mar 2019) excluding the employees of WBSEDCL under deputation to WBSETCL.
- Employee terminal benefit expenses have decreased to Rs. 40,525 Lakhs from Rs. 45,747 Lakhs on the basis of actuarial valuation.

4.8.4 The Other Comprehensive Income (OCI) related to employee cost for 2018-19 as per Note 42 of the Audited Annual Accounts is Rs. 11,294 Lakhs. Such OCI has not been considered in the "Income other than sale of Energy" head in Form 1.26 of Data Sheet. On adjustment of such OCI in the ratio of employee cost, the net claim under employee cost head comes to Rs. 90,270 Lakhs as shown below.



Table 4.8-2

Employee Cost after adjustment of OCI (Rs. Lakhs)			
Particulars	Total Generation	Total Distribution	Grand Total
Employee Cost as per 1.17h	3,387.00	98,177.00	1,01,564.00
Less Allocated OCI	377.00	10,917.00	11,294.00
Net Claim under Employee Cost	3,010.00	8,7260.00	90,270.00

4.8.5 The Commission has noted the terminal employee benefits of Rs. 40,525 lakhs, as mentioned in the APR application and the payments made to various funds in Annexure 22, Volume 2 of APR application (Auditor's certificate) are tallying. The same has been validated with audited accounts submitted in Appendix 3 of APR application.

4.8.6 Accordingly, the Commission admits Rs 90,270 lakhs towards Employee cost in the APR for 2018-19 and allocates the same to generation and distribution function. Summary of Admittance and allocation is given in the Table 4.8-3 below.

Table 4.8-3

Expenditure Head	Amount (Rs. in Lakhs)			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Employee Cost (form 1.17h)	1,01,564.00	3,387.00	98,177.00	1,01,564.00
Less Allocated OCI	11,294.00	377.00	10,917.00	11,294.00
Net Employee Cost after adjustment of OCI	90,270.00	3,010.00	87,260.00	90,270.00

4.8.7 An amount of Rs. 1327 lakh has been claimed as production / performance incentive under Employee Cost by WBSEDCL. It is observed that, in terms of regulation 5.9.5 of the Tariff Regulations incentive under employee cost is allowable only to the components of wage which ensures attendance and compliance with job norms of the employees. In absence of any supporting documents as required under regulation 5.9.5 of the Tariff Regulations, the Commission decides to withhold the amount of Rs. 1327 Lakhs. On submission of the details required under regulation 5.9.5 of the Tariff Regulations, the Commission may consider to release the amount.



4.9 Operation and Maintenance (O&M) Expenses:

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

- 4.9.1.1 In line with the admitted expenditure of Rs 5,054.25 lakhs, WBSEDCL has claimed Rs 5,054.25 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.
- 4.9.1.2 WBSEDCL has handed over 10 MW Teesta Canal bank solar PV plant to the contractor on 11.03.2017 for comprehensive O&M for five (5) years. The grant fund covers comprehensive O&M expense for five (5) years from the date of handover of the plant and WBSEDCL will have to incur the expenditure from 10.03.2022. Hence WBSEDCL has not claimed any O&M expenses for said solar PV plant for 2018-19. O&M expenses of Rs 5,054.25 lakhs is the total for Rammam, Jaldhaka, Small Hydro and PPSP power plants.
- 4.9.1.3 As per annual accounts, the total installed capacity for 2018-19 is 1,075.1 MW and the installed capacity of small hydro is 88.1 MW. Hence, the O&M expense for small hydro has been recalculated as Rs. 1,473.03 lakhs as against the Rs. 1,498.11 Lakhs admitted in Tariff Order for 2018-19 and the total expense has been recalculated as Rs. 5,029.17 lakhs as against Rs. 5,054.25 Lakhs admitted in the Tariff Order for 2018-19.
- 4.9.1.4 In line with reg 2.5.5 (ii) of Regulation, the O&M expenses for generation for 2018-19 will be determined as per norms specified in para 6.4.1 table 6.3 in tariff order for 2018-19. As per the 2nd amendment of Tariff Regulations O&M expenses for a generating station are considered as controllable factor. The O&M expenses for generation for 2018-19 will be determined as per norms specified in para 6.4.1 Table 6.3 of Tariff Order 2018-19 and 2019-20.
- 4.9.1.5 The Commission notes that, actual O&M expenses are lower than the normative O&M expenses. Accordingly, the Commission admits the actual O&M expenses as shown in the table below. In addition, the Commission also admits the Centrally allocated expenses of Rs. 452.00 Lakhs as per the Form 1.17 of the Petition submitted by WBSEDCL.



Table 4.9-1

O&M expenses for generating stations of WBSEDCL						
Name Of Plant	Installed Capacity	Normative O&M cost in Rs Lakhs/ MW	Normative O&M cost in Rs Lakhs	O&M cost in Rs Lakhs as claimed in form E(b)	O&M cost in Rs Lakhs Actual as per form 1.12	O&M cost in Rs Lakhs as Admitted
PPSP	900.00	2.61	2349.00	2349.00	1,623.00	1,623.00
Rammam Stage I	51.00	11.74	598.74	598.74	377.00	377.00
Jaldhaka	36.00	16.90	608.40	608.40	376.00	376.00
Small Hydro	88.10	16.72	1,473.03	1,498.11	1,301.00	1,301.00
TOTAL	1,075.10		5,029.17	5,054.25	3,677.00	3,677.00
Centrally allocated expenses (Form 1.17)					452.00	452.00
Total	1,075.10			5,054.25	4,129.00	4,129.00

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

R&M expenses claimed by WBSEDCL is Rs 25428 lakhs which is lesser than Rs. 25,636 lakhs as admitted in Tariff Order 2018-19. As per form 1.15 and 1.17, R&M expense comes out as Rs. 25,428 lakhs. Note 38(B) of annual accounts also reflect the same amount. Hence, the Commission admits the amount of Rs. 25,428 lakhs under distribution head.

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

- 4.9.3.1 It is noted from Form 1.15 and 1.17 that, WBSEDCL has claimed an amount of Rs 13,848 lakhs under this head against the admitted amount of Rs 13,779 lakhs in Tariff Order 2018-19. The auditor certificate in annexure 5A volume II details the segregation of amounts booked under different expenditure heads in Annual Accounts between generation and distribution function. Directors' sitting fees considered under employee cost has been excluded from A&G expenses.
- 4.9.3.2 The Commission notes that the actual expenses of Rent, Audit and Legal is more than the admitted amount in the Tariff Order of 2018-19. Moreover, the total A&G expenses claimed is more than the admitted amount in the Tariff Order of 2018-19. Thus, the Commission is not admitting the excess expenses on Rent, Audit and Legal heads. Expenses claimed under Other A&G head is less than the amount admitted in tariff order and same is considered for admittance by the Commission. Further, as per the Tariff Regulation, the Commission is also allowing the



difference of the total cost admitted in the Tariff Order of 2018-19 and the total admitted A & G expenses of individual heads. Accordingly, total A&G expenses of Rs. 13,779 lakhs admitted by the Commission under distribution function is as per the Table 4.9-2 below.

Table 4.9-2

Sl No	Expenditure Head	Amount in Lakhs Rs		
		Admitted in Tariff Order	Claim in APR Petition	Admitted in APR
1	Rent	1,244.00	1311.00	1,244.00
2	Audit	121.00	135.00	121.00
3	Legal	217.00	327.00	217.00
4	Other A&G	12,197.00	12075.00	12,075.00
5	Adjustment as per regulation [2.5.5(iv)] of Tariff Regulations			122.00
	Total (1+2+3+4)	13,779.00	13,848.00	13,779.00

4.10 Outsourcing Expenditure for Distribution:

- 4.10.1 In tariff order for 2018-19, WBSEDCL has claimed Outsourcing expenses without furnishing the breakup under the controllable and uncontrollable heads. The Commission had admitted the same as controllable expense in the Tariff order of 2018-19.
- 4.10.2 In the tariff order 2018-19, the Commission considered the heads of line maintenance and substation maintenance in a composite manner considering the past trend of expense in connection with these two items. However, WBSEDCL has claimed it as separate heads of expenses. For admitting the expenditure under different subheads of outsourcing expenditure in line with regulation 2.8.9.5 and regulation 2.6.8 respectively of the Tariff Regulation, the Commission considers the total claim under Line maintenance and substation maintenance sub-heads as a composite claim for Line and substation maintenance. In the subsequent paragraphs, each head is discussed.
- 4.10.3 WBSEDCL in its APR application for 2018-19, has claimed the entire outsourcing expenses for distribution of Rs. 56,393 lakhs as uncontrollable under manpower & vehicle related expense. The Commission observes that the expenses pertaining to Data Warehousing, Collection Franchisee, Franchisee, Meter Reading & Bill distribution and Back office job had been categorized under controllable head in its previous APR Orders. Other heads of expenses are analysed based on the nature of expense and treated accordingly.



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

4.10.5 Line and substation maintenance:

The admitted amount under this head in the ARR of the tariff order of 2018-19 is Rs. 18,198 lakhs. The claim of WBSEDCL as per annexure A of APR application Volume II for 2018-19 under this head is Rs. 17,697 lakhs. The same is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). Since the claimed amount is less than the admitted amount in the tariff order, the Commission admits Rs. 17,697 lakhs.

4.10.6 Meter Reading and Bill Distribution:

The amount admitted in tariff order is Rs. 10,737.52 lakhs against which WBSEDCL has claimed Rs. 13,184 lakhs as per Forms 1.15 and 1.17 of the petition. The same is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The Commission has considered the head as controllable as mentioned in paragraph 4.10.3 above, and hence admits Rs. 10,737.52 lakhs as provided in the Tariff order 2018-19.

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

The amount admitted in tariff order under this head is Rs. 15,276 lakhs. WBSEDCL has claimed Rs. 16,135 lakhs against the admitted amount as per Forms 1.15 and 1.17 of the petition. The same is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The claim being under uncontrollable head as decided in paragraph 4.10.4 above, the Commission admits Rs. 16,135 lakhs against this head.



4.10.8 Security Expenses:

WBSEDCL has claimed an amount of Rs 3,621 lakhs against the admitted amount of Rs. 3,427 lakhs as per Forms 1.15 and 1.17 of the petition. The same is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The claim being under uncontrollable head as decided in paragraph 4.10.4 above, the Commission admits Rs. 3,621 lakhs against this head.

4.10.9 Call Centre Expenses:

WBSEDCL in its petition claimed Rs. 2,539 lakhs as per Forms 1.15 and 1.17 of the petition under this head which is less than the admitted amount of Rs. 2,877.62 lakhs in the tariff order 2018-19. The claimed amount is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). Since the claimed amount is less than the admitted amount in the tariff order, the Commission admits the amount of Rs. 2,539 lakhs.

4.10.10 Back Office Jobs:

For back-office jobs, WBSEDCL in its petition claimed Rs. 235 lakhs under this head which is more than the admitted amount of Rs. 185.64 lakhs in the tariff order 2018-19. The claimed amount is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The Commission has considered this head as controllable as mentioned in paragraph 4.10.3 above and accordingly, admits Rs. 185.54 lakhs as admitted in the Tariff order 2018-19.

4.10.11 Franchisee cost:

For franchisee cost, WBSEDCL in its petition claimed Rs. 684 lakhs as per Forms 1.15 and 1.17 of the petition which is less than the admitted amount of Rs. 722.43 lakhs in the tariff order 2018-19. The claimed amount is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The Commission has considered the head as controllable as mentioned in paragraph 4.10.3 above. However, since the claim is less than the amount admitted in the tariff order, the Commission admits the claimed amount of Rs. 684 lakhs.

**4.10.12 Collection Franchisee Cost:**

For collection franchisee, WBSEDCL in its petition claimed Rs. 2,298 lakhs under this head as per Forms 1.15 and 1.17 of the petition which is more than the admitted amount of Rs. 1,892 lakhs in the tariff order 2018-19. The claimed amount is corroborated by Annexure 5A of Volume 2, APR petition (Note 38, Auditor's Certificate). The Commission has considered the head as controllable as mentioned in paragraph 4.10.3 above, and hence admits Rs. 1,892.34 lakhs as admitted in the Tariff order 2018-19.

4.10.13 Data Warehousing Costs:

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

4.10.14 The detail of admitted amount of the different elements of outsourcing expenditure as narrated in the above paragraphs is provided in Table 4.10.2 below:

Table 4.10-2

Cost of outsourcing	Admitted in Tariff order	Claimed in APR	Admitted in APR 2018-19
HT Line Maintenance and Sub-station Maintenance	18,198.98	17,697.00	17,697.00
Security charges	3,427.08	3,621.00	3,621.00
Meter Reading & Bill Distribution	10,737.52	13,184.00	10,737.52
Back-office Job	185.54	235.00	185.54
Call centre	2,877.62	2,539.00	2,539.00
LT Mobile Maintenance	15,276.21	16,135.00	16,135.00
Franchisee	722.43	684.00	684.00
Collection Franchisee	1,892.34	2,298.00	1,892.34
Data warehousing	0.39	-	-
Sub-total (iv)	53,318.11	56,393.00	53,491.40

4.11 Some small Expenses:**4.11.1 Lease Rental:**

The admitted amount under this head in 2018-19 as per the Tariff Order for 2018-19 and 2019-20 is Rs. 1,905 lakhs. WBSEDCL has also claimed Rs 1,905 lakhs under this head. As per para 6.4.4 of Tariff order 2018-19 and 2019-20, Lease rental line expenditure is included under 'Other



items', which is classified under controllable expense in parity with O&M expense. Same amount is reflected in the Form 1.15 and Form 1.17 and Note 38 A of audited accounts. Since the item has been considered under the controllable head, the Commission admits Rs. 1,905 lakhs for Lease Rental under Distribution function.

4.11.2 Complaint Management Mechanism:

The admitted amount under this head for the year 2018-19 in the Tariff Order for 2018-19 and 2019-20 is Rs 307.98 lakhs. WBSEDCL has claimed Rs 307.98 lakhs under this head. The Commission, in para 6.4.4 (b) of the Tariff Order for 2018 – 19 and 2019-20, has specified that this element will be considered as controllable factor. Same amount is reflected in the Form 1.15 and Note 38 A of audited accounts. Since the item has been considered under the controllable head, the Commission admits Rs. 307.98 lakhs for Complaint Management Mechanism under Distribution function.

4.11.3 Insurance:

The admitted amount under this head in tariff order of 2018-19 and 2019-20 is Rs 936 lakhs. WBSEDCL has claimed Rs 936 lakhs under this head. The same amount is reflected under Form 1.17(f) and note 38C of the audited Annual accounts for the year 2018-19 submitted by WBSEDCL. Since the item has been considered under the uncontrollable head, the Commission admits Rs. 936 lakhs for Insurance.

4.11.4 Bad Debts written-off:

The admitted amount under this head in Tariff Order of 2018-19 and 2019-20 is Rs 129 lakhs. WBSEDCL has also claimed Rs 129 lakhs under this head. The same amount is reflected under Form 1.15 and 1.177 and note 38D of the Annual accounts submitted by WBSEDCL for 2018-19. As per regulation 5.10.1, the Commission may allow such amount of bad debt to a ceiling of 0.5% of the annual gross sale value of power at the end of current year. Hence, the Commission admits Rs. 129 lakhs.

**4.11.5 Rates and taxes:**

4.11.5.1 WBSEDCL in its application has submitted that, the expenditure of Rs 16,984 lakhs claimed under Rates and Taxes includes Goods & Services Tax (GST) amounting to Rs. 16,984 lakhs. WBSEDCL has also submitted that expenditure on Rates and Taxes, being dependent on external factors like government tax fixation policy, is uncontrollable in nature, and the Commission may accordingly consider allowance of such expenditure.

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

4.11.5.3 Total tax claim of WBSEDCL works to Rs 16,984 lakhs. The taxable heads of O&M, Outsource and small expenditures of Lease rental, insurance and complaint management mechanism accounts for this tax. The proportionate allowable service tax is calculated as follows.

Table 4.11-1

SL No	Particulars	Amount (Rs. lakhs)
1	Taxable expenditure claimed on O&M and outsourcing expenses	1,02,064.00
2	Admitted amount of expenditure on O&M & outsourcing (i) O&M for Generation: Rs. 4129.00 lakh (ii) R&M for distribution: Rs. 25,428.00 lakh (iii) A&G for distribution: Rs. 13,779.00 lakh (iv) Outsourcing expenses: Rs. 56,393.00 lakh (v) Lease rental & complaint management: Rs. 2,212.00 lakh	1,01,941.00
3	Tax claimed on O&M and outsourcing expenses (Rs. 16,984 lakh – Rs. 176 lakh)	16,808.00
4	Proportionate GST admitted on O&M & outsourcing expenses [(3) x (2) / (1)]	16,787.74
5	Add: GST on employee cost and insurance (as claimed)	176.00
6	Total allowable rates & taxes	16,963.74



4.11.5.4 The Commission admits the amount of Rs. 16,963.74 lakhs as mentioned above. The admitted amount is proportionately allocated between Generation and Distribution function in the ratio of amounts claimed by WBSEDCL against this head. Thus, the amount admitted under generation function comes to Rs 828 lakhs and for Distribution function, admitted amount is Rs 16,135.74 lakhs.

4.12 Depreciation:

4.12.1 WBSEDCL has claimed an amount of Rs. 43,681 lakhs (Rs 92641 lakh – Rs 41450 lakh - Rs 7510 lakh) in its APR application for 2018-19 towards depreciation on fixed assets as against Rs. 50,084 lakhs allowed in the ARR for the year 2018-19 in the tariff order. In Form – B of the APR application asset class wise breakup of the amount of Rs 92,641 has been provided. In Note 37 of annual accounts of 2018-19 depreciation and amortization chargeable to revenue account for the year 2018-19 is shown as Rs. 92,641 lakhs. Note 33 of annual accounts of 2018-19 shows amortization of Government grants of Rs. 41,450 lakhs and Consumers' contributions towards capital assets of Rs 7,510 lakhs. Hence, the net depreciation claimed is Rs. 43,681 lakhs. (Rs.92,641 lakh -Rs.41,450 lakh -Rs.7,510 lakh)

4.12.2 The Commission admits the claim of WBSEDCL for depreciation value reduced by amortization value on Capital Grant (Rs 41,450 lakhs) and consumers' contributions towards Capital Assets (Rs.7,510 lakhs) under the uncontrollable head.

4.12.3 The amount of Rs 43,681 lakhs admitted under the head depreciation is allocated to Generation and Distribution in the same ratio as proposed by WBSEDCL. Thus, the allocated amount works to Rs 3,872.23 lakhs for Generation and Rs 39,808.50 lakhs for Distribution.

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

Table 4.12-1

Expenditure Head	Amount in Rs. Lakhs			
	Claimed in APR	Admitted under Generation	Admitted under Distribution	Total Admitted
Depreciation	43,681.00	3,872.23	39,808.77	43,681.00

**4.13 Finance Charges:****4.13.1 Interest on Capital Borrowings:**

4.13.1.1 WBSEDCL has claimed the interest of Rs. 38,204 lakhs on capital borrowing for the year 2018-19 in its APR application. It is seen from note 36A (I) of the annual accounts for the year 2018-19, the amount of interest on capital loan net of capitalization has been shown as Rs. 38,204 lakhs. The details of the loan and interest on loan payable during the year have been shown in Form-C (Statement of Loans and Calculation of Interests) of the APR application. Application submitted by WBSEDCL mentions total interest paid/payable as Rs. 38,204 lakhs.

4.13.1.2 The interest payable on capital loans during the year as shown in the annual accounts are as shown in Table 4.13-1 below.

Table 4.13-1
Interest calculation for Capital Loan

Sl No	Loan Detail	Amount in Lakhs Rs		
		Opening Balance	Closing Balance	Interest
1	Non-convertible bond	1,00,000.00	1,00,000.00	10,095.00
2	PFC	41.00		1.00
3	PFC RAPDRP A&B	26,037.00	12,032.00	1,534.00
4	REC	1,91,971.00	2,62,510.00	23,102.00
5	REC Package	12,886.00	10,173.00	2,394.00
6	State Govt	11,457.00	11,457.00	202.00
7	RECL (Taken over from REDCL)	10,323.00	10,323.00	877.00
8	Sub Total (Total 1 to 7)	3,52,715.00	4,06,495.00	38,204.00
9	Interest capitalized *	-	-	-
10	Net Claim (8-9)	3,52,715.00	4,06,495.00	38,204.00

4.13.1.3 Table 2.5.5-1 of Tariff Regulations 2011 classifies interest rates and finance charges as uncontrollable factors. The Commission notes that, WBSEDCL has claimed interest against the loan taken over from REDCL. As noted from the annual accounts, this loan was taken over from WBREDCL. The purpose of this loan is not on record neither has it been disclosed in accounts. It is also noted that no repayment is being made against this loan. Hence, the Commission admits Rs. 37,328 lakhs (38,204 lakhs – 877 lakhs) as interest on capital borrowings.



4.13.1.4 Total opening balance, exclusive of loan from RECL, taken over from WBREDCL and total closing balance are Rs. 3,42,392 lakhs and Rs. 3,96,172 lakhs respectively, whose average comes out to be 3,69,282 lakhs. The total interest payable, exclusive of interest on loan from RECL, taken over from WBREDCL, is Rs. 37,328 lakhs.

4.13.1.5 The weighted average interest rate of capital loan excluding the loan of RECL taken over from WBREDCL has been recalculated as 10.11%. $[(37328 / 369282) * 100]$

4.13.2 Interest on Pension Trustee Bonds.

An amount of Rs. 10,020.00 lakhs was allowed in the ARR for the year 2018-19 towards interest @ 8.5% on Pension Fund Bonds. In note 36 A (IV) of the annual accounts 2018-19 the amount of Rs 10,020 lakhs is noted towards payment of interest on pension trust bond. WBSEDCL has also submitted an audited certificate in annexure 28A Vol -II towards payment of pension bond interest. Accordingly, the Commission admits the claim amount of WBSEDCL, which is same amount as shown in annual accounts. The Allocation of admitted amount to the generation and distribution functions has been done as per allocation claimed by WBSEDCL and Rs 397 lakhs and Rs 9,623 lakhs are admitted for Generation and Distribution function respectively.

4.13.3 Interest on Working Capital:

4.13.3.1 WBSEDCL has claimed the interest on working capital as Rs. 14,501.21 lakhs. As per Form 1.17(b) of APR application, the total interest on working capital is Rs. 14,501.21 lakhs. The Commission proceeds to compute the working capital requirement as shown in table 4.13-2 below:

Table 4.13-2

Particulars	Rs Lakhs
	Admitted
Working Capital:	
A. Total Variable cost and Gross Fixed cost	21,25,065.87
B1. Less: Depreciation	43,681.00
B2. Less: Bad Debts	129.00
B3. Less: Return on Equity	37,236.21
B. Total deductions: (sum B1:B3)	81,046.21
C. Allowable Gross Sales for Working Capital	20,44,019.66



Particulars	Rs Lakhs
	Admitted
D. Allowable Working Capital @10% on C	2,04,401.97
Security deposit from consumers as on 31.03.2019	3,25,995.00

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

4.13.4 Interest on Consumers' Security Deposit:

4.13.4.1 WBSEDCL has submitted audit certificate in respect of security and other deposits from consumers and interest on security deposit in annexure 32A of volume II of application. The total amount of consumers' permanent security deposits lying with WBSEDCL as submitted by them was Rs. 3,25,995 lakhs at the end of the year 2018-19. The actual amount of interest accrued on such security deposits during 2018-19 is Rs. 17,839 lakhs, as against Rs. 17,389 lakhs allowed in the Tariff Order.

4.13.4.2 The amount of interest on security deposit as reflected in note 36 (V) of Annual Accounts for 2018-19 and claimed by WBSEDCL, i.e., Rs. 17,839 lakhs is admitted and considered under distribution function in the APR for 2018-19.

4.13.5 Other Finance Charges:

4.13.5.1 This head of expenditure is a subhead of financing cost in terms of Regulation 5.6.4 of the Tariff Regulations. Under this sub-head against the approved amount of Rs 1,511 lakhs in tariff order 2018-19, WBSEDCL has claimed Rs. 3,935 lakhs which includes bank charges of Rs. 1,494 lakhs and Rs 2,441 lakhs towards interest expenditures resulting from fair value accounting of expenditures in accordance with IND_AS requirement as disclosed in Note No. 36(B) and Note 33(B) of Audited Annual Accounts for 2018-19.

4.13.5.2 It is seen from Note 36B of annual accounts 2018-19 and claim of WBSEDCL in the APR application that WBSEDCL has not claimed any other finance charge on account of working capital loan.



4.13.5.3 In addition to the bank charges, WBSEDCL has included interest expenditure on liability for Purchase of Power, interest expenditure on liability for capital supplies/ works and transaction cost of capital bonds totaling of Rs. 2,441 Lakhs in their claim, as per APR petition. Such claims are on account of the resultant notional interest calculated to recognize the liability for purchase of power, and liability for capital supplies/ works at their fair value in balance sheet using amortized cost or effective interest rate due to adoption of IND-AS.

4.13.5.4 The Commission vide Paragraph 4.2.4.5 of the APR order 2016-17 (first APR order after adoption of IND-AS) has decided not to admit such notional interest, and accordingly such cost is not admitted.

4.13.5.5 Considering above, the balance claim of other finance charges to the tune of Rs.1,511 lakhs (Bank charges of Rs. 1494 lakhs and Rs. 17 lakhs as transaction cost on Capital bonds) incurred by WBSEDCL and claimed in APR are admitted with function wise breakup of Rs 23 lakhs under generation head and Rs 1,488 lakhs under Distribution head.

4.14 Other expenses:

4.14.1 WBSEDCL has claimed Rs 1,497 lakhs as the expenditure for other items in its APR application. As per Form 1.15 and 1.17, WBSEDCL has submitted expenditure of Rs. 1,032 lakhs under the head 'Loss on demolition/retirement of assets. However, WBSEDCL has not submitted any details regarding the claim on account of the loss on demolition/retirement of assets. No notes/details regarding such assets have been provided in the annual accounts. Thus, the Commission decides not to admit any expenditure under loss on demolition/retirement of assets.

4.14.2 The Commission had directed WBSEDCL to furnish additional information /clarification on other expenses including loss of obsolescence of inventory of Rs 56 lakhs. WBSEDCL vide its reply dated 27.06.2022 submitted the details of obsolescence of inventory under the other expenses head. Accordingly, the Commission admits the claim of Rs. 56 lakhs under the head of other expenses.

4.14.3 WBSEDCL has also claimed the amount of Rs. 408 lakhs on account of compensation towards injuries, death/damages to outsiders. As per the Regulation 2.2.7 of Tariff Regulations, the



Commission decides not to admit the claim of Rs. 408 lakhs on account of compensation paid by WBSEDCL to outsiders.

4.14.4 Accordingly, the Commission admits an amount of Rs. 56 lakhs against the claim of Rs. 1,497 lakhs under head of other expenses.

4.15 Taxes under Income Tax Act:

4.15.1 WBSEDCL has claimed the Return on Equity (ROE) on pre-tax grossed up basis and thus has not claimed any amount under this head. 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.

4.15.2 WBSEDCL has submitted the assessment orders under the Appendix -4 which indicates that, an amount of Rs 2,068.16 lakhs have been paid towards tax expenditure for the year 2018-19. The cumulative adjustment calculated based on the Income tax Assessment orders submitted by WBSEDCL from 2007-08 to 2018-19 is Rs. 1019.86 lakhs as shown in Annexure 4C. Therefore, the Commission admits Rs. 1048.30 lakh (2068.16-1019.86) towards income tax and same is allocated to distribution function.

4.16 Reserve for Unforeseen Exigencies:

4.16.1 In the Tariff Order for 2018-19, no amount was allowed under this head in the ARR. WBSEDCL has also not claimed any amount under this head in its APR application for 2018-19. Accordingly, the Commission does not consider any amount under this head in APR for 2018-19.

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



4.16.3 The Commission notes that, in spite of specific direction of the Commission, WBSEDCL has not submitted any audit report as specified in regulation 5.24.10 of the Tariff Regulations in its current APR application. The Commission also does not find any specific amount booked on this head. In view of above, the Commission directs WBSEDCL to comply with the direction given in paragraph 3.17.5 of the APR Order of 2014 – 15 before filing next APR application for FY 2020-21 and decides to continue with the amount already withheld in the APR order of 2014-15.

4.17 Return on Equity:

4.17.1 Equity base for allowing returns has got two components, i.e., share capital and free reserve. As per the 'Note no. – 16 C' of audited accounts for 2018-19, WBSEDCL has accumulated loss of Rs. 8,697 lakhs and Rs. 4,250 lakhs at the beginning and end of the year 2018-19 respectively.

4.17.2 WBSEDCL has claimed that, there has been equity addition to the tune of Rs 5,807 lakhs in Generation business and accordingly they have claimed ROE on such equity addition. From note 15.4 of the audited accounts for 2018-19, it is observed that, such equity addition is on account of Turga Project of WBSEDCL.

4.17.3 Since the Turga project is not yet commissioned, as per provisions of regulation 5.6.1.5 of Tariff Regulation, ROE is not allowable on such equity. It is noted from note 15 (i) of the audited accounts for 2018-19 that, share capital of WBSEDCL at the beginning and at the end of the year 2018-19 was same at Rs. 2,25,674 lakhs after excluding the equity contribution for Turga.

4.17.4 It is noted that the opening Equity considered by WBSEDCL in Form 1.20 (a) of the petition was different from that depicted in audited Annual Accounts for the year 2018-19. Further, WBSEDCL through an affidavit had submitted clarification and accordingly, the Commission considers the figures of the audited Accounts for the year 2018-19 for the purpose of calculation of Return on Equity.

Since there is no equity addition and also no positive contribution from Reserve & Surplus so no equity addition against addition in fixed asset is considered. Thus, the average equity base for allowing returns is considered at Rs. 2,25,674 lakhs. In para no. 4.15.2 above, the Commission had admitted the amount of Rs. 2068.16 lakhs paid by WBSEDCL as Income Tax during the year. As per the methodology specified by the Commission in Paragraph 6.15.3 and 6.15.4 in



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Tariff Order 2018-19, the Commission accordingly approves Return on Equity @16.50% on the admitted equity base for Distribution. Accordingly, the Commission approves the ROE of Rs. 37,236.21 lakhs for distribution. The total admitted ROE is given in the table below:

Table 4.17-1

Particulars	2018-19		
	Generation	Distribution	Total
Opening equity base	3950.00	2,25,674.00	2,29,624.00
Equity addition	2062.00	0	2,062.00
Closing equity base	6012.00	2,25,674.00	2,31,686.00
Admissible equity base	0	2,25,674.00	2,25,674.00
ROE @ 16.5%		37,236.21	37,236.21

4.18 Normative Debt:

WBSEDCL has not claimed any amount as interest on normative debt. No amount under this head was admitted in Tariff Order of 2018-19. Hence, no amount is admitted under normative debt in this APR.

4.19 Principal Repayment of Bonds For Creation of Pension Fund:

4.19.1 In the tariff order for 2018-19, the Commission admitted Rs. 15,300 lakhs towards payment of principal amount of pension bond which was created in terms of Notification No.313-PO/O/III/3R-29/2006 dated 19/09/2008 of Govt of West Bengal. Repayment of such bond is due from 2017-18 in 5 equal annual installments of Rs 30,600 lakhs as per terms of the Govt. of West Bengal Notification.

4.19.2 In the tariff order 2018-19, the Commission further stipulated that, the Commission allows only 50% of the claim made by WBSEDCL in the ARR and will consider the balance amount based on the actual documents regarding payment of the installment at the time of APR based on prudence check.

4.19.3 In the APR application 2018-19, WBSEDCL has claimed Rs 5,100 lakhs towards repayment of pension bond stating that such amount is actual payment. It is seen from WBSEDCL's Audited Annual Accounts of 2018-19 that, the balance of 8.5% pension bond has got reduced by Rs. 5,100 lakhs. Accordingly, the Commission admits Rs 5,100 lakhs paid by WBSEDCL on this account



and allocates it between Distribution and Generation function in the same ratio as that of interest on pension bond. Amount admitted under Generation function comes to Rs 215.13 lakhs and amount admitted under distribution function comes to Rs 4,884.87 lakhs.

4.20 Income from Non-Tariff Sources:

4.20.1 In the tariff order of 2018-19 a total amount of Rs. 74,470 lakhs was considered towards the estimated earnings of WBSEDCL from other non-tariff sources. WBSEDCL claimed Rs 57,496 lakhs as Income from Non-Tariff Sources in its APR application.

4.20.2 Note 32 of Annual Audited Accounts shows total non-tariff income as Rs 49,477 lakhs. This includes DSM receivable of Rs. 163 lakhs. Since DSM receivable is not considered under non-tariff income, the amount is reduced by DSM receivable. Since the claim amount is reduced by the DSM charges receivable, the Commission admits the claim of Rs. 49,314 (49,477 -163) lakhs.

4.20.3 As per Note-33 of annual accounts WBSEDCL has disclosed a total income of Rs 60,875 lakhs. The Commission reduces the amount on account of Govt Grant (Rs. 41,450 lakhs) and consumers' contribution from other income (Rs. 7,510 lakhs) as the same has been adjusted with depreciation. Notional interest adjustment on account of Ind-AS, which equals 1,989 lakhs and 1,744 lakhs, is also not considered. The amounts considered under the heads in note 33 of accounts are allocated between distribution and generation function in the ratio of depreciation admitted.

4.20.4 The Commission admits the claim amount of Rs. 57,496 lakhs.

4.20.5 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 made between generation and distribution function is as follows.

Table 4.20-1

Head of income and reference of Annual accounts	Admitted Amount in Rs. Lakhs		
	Generation	Distribution	Total
Other operating income as per note 32	-	49,314.00	49,314.00
Other income as per note 33 (Except amortisation of grant, consumer contribution and IND-AS notional	716.82	7,465.19	8,182.00



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Head of income and reference of Annual accounts	Admitted Amount in Rs. Lakhs		
	Generation	Distribution	Total
interest adjustment) allocated in ratio of admitted depreciation.			
Total of non-tariff income	716.82	56,779.18	57,496.00

4.21 Unscheduled Interchange (UI)/DSM Charges:

- 4.21.1 As per the annual accounts for the year 2018-19, Note No.32, the DSM receivable is Rs. 163 lakhs. In Note No.32A, the amount by WBSEDCL towards DSM is Rs. 20,027 lakhs and no arrear amount is to be adjusted, thus net payable is Rs 20,027 lakhs.
- 4.21.2 WSEDCL in their APR application for 2018-19 has claimed the net DSM payable amount of Rs. 19,864 lakhs as expenditure. The Commission in this APR order for 2018-19 admits the same under distribution function.
- 4.21.3 The Commission notes that, the DSM charges payable are much higher than the DSM charges receivable from the pool. Considering the fact that, there is large variation in demand during intra-day in WBSEDCL area, the Commission is of the view that, WBSEDCL need to review their scheduling strategy to minimize the over-drawal from the regional pool. Since this is the APR of 2018-19 and RTM was not in existence in 2018-19, going forward WBSEDCL need to take benefit of RTM for procuring power for meeting intra-day variation instead of over-drawing from regional DSM pool.

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

- 4.22.1 WBSEDCL in their APR application for 2018-19 in form 1.24 has calculated Rs 93,651 lakhs as gain from power sold to person other than consumer and licensees.
- 4.22.2 It is noted from technical particulars of annual accounts of 2018-19 that WBSEDCL has considered cost of 176.14 MU of power sold to persons other than consumer and licensee. In Note 31, revenue from operation, of annual accounts, WBSEDCL has considered an amount of Rs 93,561 lakhs under Sale to trader. In addition to above WBSEDCL has considered Rs 3,624 lakhs, as shown in Note 31 of the annual accounts, as charges for export of power. Based on the submissions of WBSEDCL, provisions of Regulation 5.15.2 (iv) of WBERC (Terms &



Conditions of Tariff) (Amendment) Regulations, 2013 and the cost of surplus power considered in Chapter - 3, the Benefits to be passed on to consumers and other licensees is calculated as follows.

Table 4.22-1

Sl. No.	Particulars	Details
(1)	Share of benefit from sale to others	50%
	a) Sale of power to person other than consumer and licensee (MU)	1,857.60
	b) Notional sale of power against Swap Out (MU)	176.14
(2)	Total Sale (MU): A=a+b	2,033.74
	c) Sale of power to person other than consumer and licensee (Rs. Lakhs)	93,561.00
	d) Notional sale of power against Swap Out (Rs. Lakhs) (Refer: Statement of Technical particulars in Annual Accounts for 2018-19)	6,842.00
(3)	Total Sale (Rs. Lakhs): B=c+d	1,00,403.00
(4)	e) Average variable cost of pooled power (a)(Paise/ unit)	289.97
	f) Average purchase price (b) (Paise/unit)	402.99
	g) Cost of power of sale in 1 (a) above (Rs Lakhs)	53,865.55
	h) Cost of power of sale in 1 (b) above (Rs Lakhs)	7,098.00
	i) other charges for such sale (Rs Lakhs) **	3624.00
(5)	Total cost of sale (Rs in lakhs) (g+h+i)	64,587.55
(6)	Amount of gain (+) / loss (-) derived from such sale (Rs in Lakhs) (3-5)	35,815.45
	Share of benefit with consumers from sale to other than consumers of WBSEDCL	17,907.72

4.22.3 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 17,907.72 lakhs as 50% of the amount of gain of Rs. 35,815.45 lakhs from power sold to persons other than consumers and licensees as proposed by WBSEDCL under distribution function.

4.23 Advance Against Depreciation /Interest Credit:

4.23.1 In terms of the Tariff Regulations, depreciation is primarily used for repayment of capital loan. Where, the amount of depreciation falls short of amount of loan repayment such shortfall is allowed under advance against depreciation (AAD) limited to 1/10 of original amount of allowable loan. Similarly, when amount of loan repayment in a year is more than allowed



depreciation, an interest credit at the rate of weighted average cost of debt for the corresponding year needs to be adjusted on such excess depreciation charged. Further in terms of the Tariff Regulations, it is required to be ensured that the depreciation allowed should not go beyond 90% of the original cost of Asset and after repayment of entire loan the resulting depreciable amount shall be spread over the balance useful life of the fixed asset.

4.23.2 Accordingly, the Commission decides to compute the Advance Against Depreciation / interest credit for the year 2018-19 considering the cumulative amount of depreciation and Advance Against Depreciation allowed in previous APR orders. Considering the fact that, WBSEDCL started its operation with effect from 01st April 2007 in terms of West Bengal Power Sector Reform Transfer Scheme, 2007, notified by the Department of Power and Non-conventional Energy Sources, Government of West Bengal, the cumulative position since 2007-08 is analyzed below:

Years	Admitted amount of loan repayment	Depreciation admitted	Advance Against Depreciation	Excess depreciation over loan repayment
	(1)	(2)	(3)	(4)
2007-08	11283.00	19009.08	0.00	7726.08
2008-09	19769.00	25825.81	0.00	6056.81
2009-10	22886.00	27726.38	0.00	4840.38
2010-11	21823.00	35594.49	0.00	13771.49
2011-12	23408.00	34422.00	0.00	11014.00
2012-13	19833.00	40881.00	0.00	21048.00
2013-14	21269.00	48092.00	0.00	26823.00
2014-15	11474.00	62365.00	0.00	50891.00
2015-16	13032.00	65791.00	0.00	52759.00
2016-17	218320.00	61452.00	0.00	-156868.00
2017-18	18506.00	61075.00	0.00	42569.00
Total	401603.00	482233.76	0.00	80630.76

Cumulative depreciation and AAD admitted during the APR order of 2007-08 to 2017-18 comes to Rs. 482233.76 lakh against the cumulative loan repayment required during the said period amounting to Rs. 401603.00 lakh. Thus, there is an excess depreciation over the loan repayment amounting to Rs. 80630.76 lakh upto 31.03.2018. This amount is required to be considered while computing the Advance Against Depreciation (AAD) / interest credit for the year 2018-19 as below:



Table 4.23-1

Sl no	Details	Amount in Rs. lakhs
1	Depreciation admitted	43,681.00
2	Repayment as per form C	35,733.00
3	Excess fund (3 = 1 -2)	7,948.00
4	Excess of depreciation over repayment upto 31.03.2018	80630.76
5	Cumulative excess fund available (3+4)	88578.76
6	rate of int (Refer para 4.13.1.5 of this order)	10.11%
7	Interest credit	8955.31

4.23.3 Considering interest rate of 10.11%, the Commission admits Rs. 8955.31 lakhs as the interest credit on depreciation against the claim value of Rs 768 lakhs.

4.23.4 The amount admitted towards interest credit is allocated between generation and distribution function in the ratio of depreciation. Accordingly, Rs. 793.87 lakhs and Rs 8161.44 lakhs respectively are admitted for Generation function and Distribution function respectively.

4.24 Carrying cost of regulatory asset:

4.24.1 WBSEDCL has claimed carrying cost of Rs. 78,474 lakhs on regulatory assets created by different orders of the Commission at the interest rate as per SBI PLR on 1st April 2013.

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

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

4.25 Based on above notes & observations, function wise admitted fixed charges under different heads is summarized in Annexure 4A.



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ANNEXURE 4A

SUMMARY OF FIXED COST [in Rs Lakhs]

SI NO	Head of ARR	APR Admitted		
		Generation	Distribution	Total
1.	Transmission Charge Paid to CTU	0.00	80,925.00	80,925.00
2.	Transmission Charge Paid to WBSETCL	0.00	1,29,290.00	1,29,290.00
3.	POSO CO Charge	0.00	352.00	352.00
4.	ERPC Charge	0.00	167.00	167.00
5.	SLDC Charge	0.00	1,678.00	1,678.00
6.	VARH Charge	0.00	1209.00	1209.00
7.	Employee expenses	3,010.00	87,260.00	90,270.00
8.	Operation and maintenance Expenses			
	a) Operation and Maintenance Expenses for Generation	4,129.00	0.00	4,129.00
	b) Repair and maintenance Expenses (Distribution)	0.00	25,428.00	25,428.00
	c) Administrative & General Expenses (Distribution)	0.00	13,779.00	13,779.00
	d) Lease Rental	0.00	1,905.00	1,905.00
	e) Expenses for Complaint Management mechanism	0.00	307.98	307.98
	f) Insurance	872.00	64.00	936.00
	g) Rates & Taxes	828.00	16,135.74	16,963.74
	h) Cost of outsourcing	0.00	53,491.40	53,491.40
9.	a) Interest on capital borrowings	429.27	36,898.73	37,328.00
	b) Interest on Bond For creation of Pension Fund	397.00	9,623.00	10,020.00
	c) Other Financing Charges	23.00	1,488.00	1,511.00
	d) Interest on Security Deposits	0.00	17,839.00	17,839.00
10.	a) Depreciation	3,872.23	39,808.77	43,681.00
	b) Advance against depreciation	-	-	-
11.	Principal Repayment of Bonds for Pension Fund	215.13	4,884.87	5,100.00
12.	Bad Debt	0.00	129.00	129.00
13.	Income tax	0.00	1,048.30	1,048.30
14.	Reserve for unforeseen exigencies	-	--	-
15.	Interest on working Capital	0.00	0.00	-
16.	Net UI Payable / Deviation Charge	0.00	19,864.00	19,864.00
17.	Other expenses	0.00	56.00	56.00
18.	Total Expenditure (sum of 1:17)	13,775.63	5,43,631.79	5,57,407.42
19.	Normative Return	0	37,236.21	37,236.21
20.	Gross Fixed Cost (17+18)	13,775.63	5,80,868.00	5,94,643.63
	a) Less : Total of non-tariff income	716.82	56,779.18	57,496.00
21.	b) Less: Expenses attributable to sale to person other than licensee & consumer [Form 1.24]	0	17,907.72	17,907.72
	c) Less: Interest Credit	793.87	8,161.44	8,955.31
	d) Less: Withheld amount as paragraph 4.8.7		1,327.00	1,327.00
	Total Deductions from Gross Fixed Cost: sum ((a): (c))	1,510.69	84,175.34	85,686.03
22.	Net Fixed Cost (19-20)	12,264.94	4,96,692.66	5,08,957.60



ANNEXURE 4B

Distribution O&M parameters:

Inflation Parameters

Particulars	APR Order
WPI	4.26%
CPI	5.40%
WPI: CPI (60: 40)	4.72%

The Commission has considered the same parameters for APR Order of 2018-19.



ANNEXURE 4C

Details of Amount Allowed towards Income Tax in APR/ARR Orders vis-à-vis amount as assessed by IT Authorities as submitted by WBSEDCL

Rs. in Lakhs	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
APR/ARR	2664	1022	1360	1732	1637	1978	
Income Tax Liability	1054.32	991.79	1341.27	1873.79	1651.46	1990.28	
TDS	653.91	807.72	1187.01	1511.27	1087.31	1055.51	
Advance Tax	390.00	237.44	187.24	460.45	414.19	852.65	
Self-Assessment Tax	0.00	0.00	0.00	0.00	141.00	160.00	
Regular Assessment Tax							
Amount Already Refunded							
Total Tax Paid	1043.91	1045.16	1374.25	1971.72	1642.51	2068.16	
Tax Payable/(Refund)	10.41	-53.37	-32.99	-97.93	8.95	-77.88	
Interest u/s 244A							
Interest made U/s 244A recovered							
Interest u/s 234D							
Tax refunded							
Balance tax payable (+)/refundable (-)							
Interest on payable(+)/refundable(-) amt							
Total paid(+)/refund received(-)							
Amount to be allowed (+) / adjusted(-)	-1609.68	-30.21	-18.73	141.79	14.46	12.28	-1019.86



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 2018-19, as summarized in previous chapter, is Rs 5,08,957.60 lakhs with function wise breakup as shown in table 5.1-1 below.

Table 5.1-1

Particulars	Amount (In Rs. lakhs)
Fixed charge admitted for Generation	12,264.94
Fixed charge admitted for Distribution	4,96,692.66
Total Fixed charge admitted	5,08,957.60

- 5.2 As per Note no. 31 – (Revenue from sale of power) of annual accounts of WBSEDCL for 2018-19, net earnings from sale of energy during the year 2018-19 was Rs. 20,48,397 lakhs which includes the revenue from sale of energy to persons other than consumers and licensees (sale to trader) to the tune of Rs. 93,561 lakhs. Further Rs 3,624 lakhs towards charges for export of power, which has been adjusted in sharing of benefits calculation from sale of power needs to be added back. Thus, the sales revenue earned by WBSEDCL during the year 2018-19 for sale to own consumers and licensees is Rs 19,58,460 lakhs (Rs. 20,48,397 lakhs – Rs. 93,561 lakhs + Rs. 3,624 lakhs).
- 5.3 The amount of total allowable variable costs for the year 2018-19 as determined in this order for Fuel and Power Purchase Cost Adjustment (FPPCA) at paragraph 3.8 is Rs. 15,30,422.24 lakhs.
- 5.4 In the tariff order for 2018-19, the Commission had considered Rs. 44,699.00 lakhs on account of part adjustment of ARR of WBSEDCL for the year 2013-14. Thus, the net allowable fixed cost comes to Rs. 5,53,656.60 Lakhs ((Rs.5,08,957.60 lakhs + Rs. 44,699.00 lakhs).
- 5.5 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2018-19 works out as shown in table hereunder.



West Bengal Electricity Regulatory Commission

Table 5.5-1

Sl No	Particulars	Amount
		(In Rs. lakhs)
1	Variable cost allowed (vide paragraph 5.3 above)	15,30,422.24
2	Allowable net fixed cost (vide paragraph 5.1)	5,53,656.60
3	Aggregate revenue requirement [3 = (1) +(2)]	20,84,078.84
4	Less: Actual Revenue realized during the year (vide para. 5.2)	19,58,460.00
5	Net amount recoverable [(5) = (3) - (4)]	1,25,618.84

5.6 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of **Rs. 1,25,618.84 lakhs** or a part thereof shall be adjusted with the Aggregate Revenue Requirement of one or more ensuing year(s) tariff order which is yet to be issued or through a separate order, as may be decided by the Commission.

5.7 WBSEDCL is to take a note of this order.

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

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

Sd/-

(PULAK KUMAR TEWARI)
MEMBER

Sd/-

(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

DATED: 27.07.2022

Sd/-
SECRETARY