



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

IN CASE NO: APR – 25 / 11 – 12

**IN RE THE APPLICATION OF CESC LIMITED FOR
ANNUAL PERFORMANCE REVIEW FOR THE
FINANCIAL YEAR 2010-11.**

DATE: 19.03.2013



CHAPTER – 1 INTRODUCTION

- 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, the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff (in short 'MYT') procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performances and projected performances under different factors / heads of accounts. Such adjustments are now to be done in the manner as specified in the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 (hereinafter referred to as the 'Tariff Regulations'). CESC Limited submitted their application of APR for the year 2010 – 2011 on 29th November, 2011. It provided the requisite data / information in the specified proforma. A copy of its annual report and audited annual accounts for the concerned year was also submitted by CESC Limited along with the application. The application was admitted by the Commission for processing and the same was numbered as APR-25/11-12.
- 1.2 The instant application of CESC Limited is their fifth application for the APR, first, second, third and fourth ones were for the financial years 2006 – 2007, 2007 – 2008, 2008 – 2009 and 2009 – 2010 respectively. The adjustments, as were found necessary on review of the performances of those years, were effected while determining the amount of revenue recoverable through tariff during the years following the years of such review. Similarly, the adjustments, as may arise out of the review of the instant application for 2010 – 2011 will be considered for giving effect while determining the amount of revenue recoverable through tariff order of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.



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- 1.3 CESC Limited has submitted their application for Annual Performance Review for 2010-11 on 29th November, 2011 in terms of the provisions contained in the Tariff Regulations. The instant application needs to be dealt with as per provisions of the Tariff Regulations.
- 1.4 The APR for the year 2010 – 2011 is the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to CESC Limited through the Aggregate Revenue Requirement (in short 'ARR') for the year 2010 – 2011, vis-à-vis the actuals as per the audited accounts. The Tariff Regulations (vide regulation 2.5.5) provides that the variations out of uncontrollable factors of expenses are to be passed through the tariffs in an appropriate manner as may be decided by the Commission.
- 1.5 The Commission has taken careful note of the above representations made by CESC Limited. The relevant issues will be addressed to and the views will be taken accordingly while examining the admissibility of expenses under different heads of accounts. The APR is to cover the annual fixed charges allowed to the licensee, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. Element of performance incentive or gain sharing on account of achieving better operational norms, however, was not considered for CESC Limited while determining its ARR for the year 2010 – 2011. APR for the year 2010 – 2011 is the review of the different factor elements of fixed charges, categorised as controllable and uncontrollable, allowed to CESC Limited through the ARR for the year 2010 – 2011, vis-à-vis the actuals as per the audited accounts. The analyses of the Commission and taking views thereon will be with reference to the audited data. The instant application of CESC Limited for the year 2010 – 2011 is being viewed in the subsequent parts of this order.
- 1.6 In terms of regulation 2.6.12 of the Tariff Regulations, the gist of the application of APR of CESC Limited for the year 2010 – 2011 was published simultaneously



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- in Anandabazar Patrika, The Telegraph, Sanmarg and Bartaman on 10th May, 2012. The application of APR for 2010 – 2011 was also posted in the website of CESC Limited. The publication invited the attention of all interested parties, stake holders and the members of the public to the application for APR for the year 2010 – 2011 of CESC Limited and requested for submission of objections, comments etc., if any, on the application to the Commission by 11th June, 2012 at the latest. Opportunities were also afforded to all to inspect the application and take copies thereof.
- 1.7 No comment, suggestion, objection on application for APR for the year 2010 – 2011 of CESC Limited has been received within the stipulated period of time, i.e., within 11th June, 2012.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed and any savings located under controllable head will go to their account. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actuals based on the audited accounts of CESC Limited is being taken up hereunder one by one.

2.2 **Employee Cost:**

2.2.1 CESC Limited was allowed a total amount of Rs. 35250 lakh towards own employees' cost which includes salaries, wages, other allowances, bonus, contribution to PF and other funds as well as staff welfare expenses. This amount is exclusive of the amount of Rs. 1743 lakh allowed in tariff as well as claimed by CESC Limited in respect of contracted manpower in regular establishment in its generating station. The total amount of expenses incurred on this uncontrollable head of account was Rs. 43065 lakh in respect of own employees. The amount is net of an amount of Rs. 4893 lakh capitalized. CESC Limited confirmed that the company does not pay any production incentive or performance incentive which is linked with the operational performance of any generating station / distribution / trading activity. Certain portion of remuneration agreed through wage settlement arrangement is paid to ensure individual



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attendance, adherence to job norms, etc. and is embedded in employee cost. The cost center-wise breakup of the amount allowed through tariff for the year 2010 – 2011 and the amount of actual expenditure after allocating the corporate head office overhead are found as under:

Rs. in Lakh

Particulars	As per the tariff order			Actual		
	Own Employees	Employees on contract in regular establishment	Total	Own Employees	Employees on contract in regular establishment	Total
(A) Generation Function						
Budge Budge	2536	1070	3606	2603	1070	3673
Titagarh	2617	304	2921	3253	304	3557
Southern	1763	0	1763	2228	0	2228
New Cossipore	2308	369	2677	2280	369	2649
Total (A)	9224	1743	10967	10364	1743	12107
(B) Distribution Function						
	26026	0	26026	32701	0	32701
Total (A+B)	35250	1743	36993	43065	1743	44808

2.2.2 It has been observed from the submission of CESC Limited that the total permitted employee number (including contractors' employees) in its generating stations relating to the existing installed capacity in operation, in terms of Schedule 9A of the Tariff Regulations, comes to 3327 against which actual number of own employees as on 31.03.2011 was 2148 excluding some contractors' employees in regular establishment. For the payment to such contractors' employees, CESC Limited kept its claims at par with the amount allowed in the tariff order though the actual payments made were higher. Employees cost shown for its distribution function represented the same on own employees. The employee cost of contractors' personnel for distribution function had been included in the cost of repairs and maintenance since the contractors were engaged to provide job specific services as per rate schedule and were accordingly paid for. An estimated number of 3500 employees were engaged to carry out such jobs.



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2.2.3 CESC Limited has claimed the actual amount of expenditure for Rs. 44808 lakh towards employee cost. On scrutiny of their claim, it is observed that the actual expenditure of own employees has increased over 22% (Rs. 7815 lakh) of the amount allowed in the tariff order for 2010 – 2011. However, CESC's claim is 13% over the amount allowed by the Commission in APR for 2009 – 2010. The increase in generating function is 13% and that of distribution function is 26%. On a study of the tariff order under MYT approach for 2008 – 2009 to 2010 – 2011, it is found that CESC Limited earlier projected an amount of Rs. 40501 lakh for 2010 – 2011 including the employee cost of contracted manpower. The Commission observed that the amount claimed by them appeared to be on higher side and after careful examination allowed Rs. 36993 lakh (Rs. 35250 lakh for own employees and Rs. 1743 lakh for contracted employees) subject to adjustment through APR based on the audited accounts. Now, as it appears, their claim during 2010 – 2011 is significantly higher than their projected amount. CESC Limited was directed to submit the employee cost for contracted manpower in regular establishment in their application of APR with audited figures, which is yet to be complied with. In their application of APR 2010 – 2011, CESC Limited has indicated that statutory charges in employee's benefits as required under AS-15 including increase in ceiling limit of gratuity and higher compensation through DA contributed significantly to the higher employee cost. CESC Limited has neither quantified such individual amounts nor submitted any audited figures in this respect. CESC Limited is directed to henceforth submit with more details the figures separately for own employee cost with statutory liability under AS-15 and employee cost of contracted manpower under regular establishment. CESC Limited is required to confirm through an affidavit that expenses pertaining to its licensed business, as permitted under the relevant regulations, have only been claimed.



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2.2.4 After careful consideration of facts brought out and of the facts that employee cost is uncontrollable in nature, the Commission admits the amount of Rs. 44808 lakh in APR for 2010 – 2011 with the above cost centre wise break-up.

2.3 Coal and Ash Handling Charges:

2.3.1 The amounts of expenditure towards coal and ash handling as were allowed in the tariff and as were incurred at different generating stations of CESC Limited compare as under:

Rs. in Lakh

Generating Station	As per the tariff order	Actual	Additional Expenditure
Budge Budge	807	360	(-) 447
Titagarh	722	707	(-) 15
Southern	242	173	(-) 69
New Cossipore	55	57	2
Total	1826	1297	(-) 529

2.3.2 Although the coal and ash handling charges are categorized as uncontrollable but mostly variable with the quantum of generation, the Commission decides to view the amount claimed with reference to the targets set for generation and actual generation. The position in this regard comes as under:

Rs. in Lakh

Generating Station	Target Generation (MU)	Exp. as per tariff order	Actual Generation (MU)	Expenses Proportionate to Actual Generation	Actual Expenses	Expenses admitted in APR for 2010-11
Budge Budge	5813	807	5439	755	360	360
Titagarh	1725	722	1866	781	707	707
Southern	981	242	1089	269	173	173
New Cossipore	412	55	363	48	57	48
Total	8931	1826	8757	1853	1297	1288



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2.3.3 It may be seen from the above table that proportionate expenditures in reference to target generation vis-à-vis actual generation are more in all generating stations except New Cossipore when compared with actual coal and ash handling charges. The Commission decides to admit the proportionate expenditure with reference to actual quantum of generation, but restricted to the actual expenditure where actual expenditure is less as in all such generating stations referred to above. For New Cossipore generating station, the Commission admits the expenses proportionate to actual generation rather than actual expenses irrespective of that in the tariff order on the ground that the actual generation is much less than the target generation. The amount of admitted expenditure in APR for the year 2010 – 2011 comes to Rs. 1288 lakh.

2.3.4 CESC Limited is directed to henceforth identify the amount of coal and ash handling charges separately in the audited accounts.

2.4 Water Charges:

2.4.1 The expenditure towards water cess is uncontrollable and is related to the quantum of water to be used in the generating stations.

2.4.2 The actual amount of total expenditure incurred by CESC Limited under this uncontrollable head of accounts was found Rs. 264 lakh as against Rs. 481 lakh allowed in the tariff for the concerned year.

2.4.3 The station-wise break-up of the expenditures allowed in tariff order vis-à-vis the expenditure during the year 2010 – 2011 are as below:

Rs. in Lakh

Generating Station	As per the tariff order	Actual	Expenses admitted in APR for 2010-11
Budge Budge	6	8	6
Titagarh	224	160	160
Southern	201	68	68
New Cossipore	50	28	28
Total	481	264	262



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2.4.4 It may be observed that in case of Budge Budge generation station, the actual expenditure on this score has exceeded the expenditure allowed in the ARR for 2010 – 2011. The Commission decides to admit this actual expenditure restricting to amount allowed in the tariff order for 2010 – 2010. The amount of admitted expenditure in APR for 2010 – 2011 is thus Rs. 262 lakh.

2.4.5 CESC Limited is directed to henceforth identify the amount of water charges separately in the audited accounts.

2.5 Lease Rental:

2.5.1 An amount of Rs. 1400 lakh was allowed in the tariff order for 2010 – 2011 under the head ‘Lease Rental’ towards rental on certain equipments taken on lease where the rates are found to be competitive. Actual such rental as per the audited accounts came to Rs. 1157 lakh. The function-wise break-up of the amount so provided in tariff and of the actual amount were found as under:

Rs. in Lakh

Particulars	As per the Tariff Order	Actual
Generation Function		
Titagarh	156	82
Southern	70	0
Total	226	82
Distribution Function	1174	1075
Total	1400	1157

2.5.2 Now, in terms of regulation 5.7.2(i) of the Tariff Regulations, rent and lease charges will be included as a part of administrative and general expenses under O&M expenses. But in terms of regulation 5.7.1, administrative and general expenses for generating station may be reduced by actual rent and lease charges where it is required. Therefore, rent and lease charges are treated as a part of operation and maintenance expenses in case of distribution function. But



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the amount of actual expenditure of Rs. 82 lakh towards lease charges for Titagarh generating station is considered under this head in this order. The amount of Rs. 1075 lakh as admitted in this order for distribution function is dealt separately under operation and maintenance head.

2.6 Rent:

2.6.1 An amount of Rs. 839 lakh was allowed in tariff order towards rent, rates and taxes for distribution function only and provision for rent was not separately considered for generation function in the tariff order. As per submission of CESC Limited, actual expenditure on rent is Rs. 625 lakh out of which, Rs. 4 lakh is for Southern generating station and the balance Rs. 621 lakh is for distribution and selling function.

2.6.2 In terms of regulation 5.7.2(i) of the Tariff Regulations, administrative and general expenses will also include rent charge, but in terms of regulation 5.7.1, actual expenses on administrative and general expenses may be reduced by rent and lease charges for generating station. In view of the above, the Commission decides that rent for generating stations are to be treated separately and thus admitted the amount of Rs. 4 lakh for Southern generating station and the balance of Rs. 621 lakh for distribution and selling function are dealt separately under operation and maintenance head.

2.7 Rates & Taxes (Other than on Income & Profit):

2.7.1 No amount was separately considered towards Rates & Taxes (Other than on Income & Profit) in the tariff order for the year 2010 – 2011 for generation function and an amount of Rs. 839 lakh was allowed towards rent, rates and taxes for distribution function. The projected amounts on such accounts were considered as the part of overall operation and maintenance expenses which were treated as controllable. In the Tariff Regulations, the Commission



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recognized such expenditures as separate item and categorized the same as uncontrollable. As such, the actual amount of Rs. 563 lakh as furnished by CESC Limited in its audited accounts during the year under the head 'Rates & Taxes' is being admitted with the following cost centre-wise allocation:

Particulars	Amount (Rs. in Lakh)
(A) Generation Function	
Budge Budge	246
Titagarh	108
Southern	10
New Cossipore	11
Total (A)	375
(B) Distribution Function	188
Total (A+B)	563

2.8 Insurance Premium:

2.8.1 Similar to rates & taxes, as stated above, the provision towards insurance expenses was clubbed with the overall allowable amount towards operation and maintenance expenses. In terms of regulation 5.23.1 of the Tariff Regulations, the insurance premium paid after selection of insurance company through a transparent process shall be considered subject to prudent check and as per table 2.5.5-1, it is categorized as uncontrollable and, therefore, the actual expenditure totaling to Rs. 631 lakh has been admitted with the following cost centre-wise allocation:

Particulars	Amount (Rs. in Lakh)
(A) Generation Function	
Budge Budge	296
Titagarh	61
Southern	36
New Cossipore	11
Total (A)	404
(B) Distribution Function	227
Total (A+B)	631



2.9 Operation & Maintenance Expenses:

2.9.1 Operation & Maintenance (O&M) expenses viz. Repairs and Maintenance including cost of consumables, legal and professional charges, audit fees, administrative and general expenses are categorized as controllable in terms of the Tariff Regulations.

2.9.2 The expenses under the head 'insurance premium', 'rent' and 'rates and taxes' previously treated as a part of O&M expenses and controllable expenses have been considered separately in the preceding paragraph 2.6, 2.7 and 2.8 of this chapter.

2.9.3 In view of the above, the O&M expenses approved in the tariff order is regrouped wherever necessary to take a considered view in this regard. The table given below depicts the amount approved in the tariff order under the head O&M expenses vis-à-vis actual expenses (where comparison is required) thereof separately for generation and distribution functions.

2.9.4 O&M expenses for generating stations, which are the same as was considered in the tariff order, being controllable are admitted in terms of norms specified in schedule 9A of the Tariff Regulations.

Rs. in Lakh

Generating station	As considered in the Tariff Order	Amount admitted in APR for 2010-11
Budge Budge	7568	7568
Titagarh	2815	2815
Southern	1611	1611
New Cossipore	1516	1516
Total	13510	13510

2.9.5 O&M expenses for distribution function as considered in the tariff order vis-à-vis actual is presented below after necessary regrouping as discussed in paragraph 2.9.2 above.



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- 2.9.6 The Commission, while determining the ARR for all the three ensuing years i.e., 2008 – 2009, 2009 – 2010 and 2010 – 2011, in the tariff order for the first ensuing year of the second control period i.e., for 2008 – 2009 decided that in case the actual expenditure under repair and maintenance head of distribution system is found to be less than the admitted amount, the Commission would allow the actual expenditure under this head in APR for the concerned year. CESC Limited did not provide separately actual expenditure on repair and maintenance for 2010 – 2011 allocating between generation and distribution functions as the said head is controllable in nature. However, it is evident from schedule 11 of their audited accounts that actual aggregate expenditure under repairs and consumption of stores and spares of CESC Limited as a whole comes to Rs. 36906 lakh against Rs. 34161 lakh allowed as O&M expenses in the tariff order for 2010 – 2011. The actual allocation for repairs and maintenance in the tariff order is inseparable from the total allocated O&M expenses in case of generation function and, therefore, cannot be compared one to one basis. However, on overall basis, it may be observed that actual expenditure of CESC Limited on repairs including consumable stores only exceeded the total O&M expenses allowed in the tariff order. The Commission, therefore, decides to admit the expenses of repairs and maintenance including consumable stores for its distribution function as was allowed in the tariff order.
- 2.9.7 As discussed in paragraphs 2.5 and 2.6 of this order the expenditure on lease charges and rents as admitted for distribution functions in the tariff order are considered under this head administrative and general expenses as a controllable item.
- 2.9.8 Based on the above analysis, and O&M expenditure being controllable in nature, the amount admitted in APR for 2010 – 2011 is as below:



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Rs. in Lakh

Sl. No.	Particulars	As approved in the Tariff Order	Amount admitted in APR under O&M Head
1	Repairs & Maintenance	12403	12403
2	Legal & Professional Charges	484	484
3	Audit Fees	35	35
4	a) Administrative & General expenses	6660	6660
	b) Lease charges for distribution function	1174	1075
	c) Rent for distribution function	839	621
5	Total (Regrouped)	21595	21278

2.10 Interest and Finance Charges:

2.10.1 Interest and finance charges allowed to CESC Limited in the tariff vis-à-vis the amounts of expenditures claimed through the application for APR based on audited accounts are as under:

Rs. in Lakh

Particulars	As per the tariff order	As per claims through APR
Interest	21997	32255
Foreign exchange rate variations	171	216
Interest on consumers' security deposits	4393	5958
Other finance charges	771	738
Total	27332	39167

2.10.2 Adjustments as will be required for each of the sub-heads of the major head 'Interest & Finance charges' are being viewed separately hereunder:

2.10.2.1 Interest:

2.10.2.1.1 The Commission allowed Rs 21997 lakh towards interest on borrowed capital in the tariff order for 2010 – 2011. The amount was exclusive of the portion of such interest and charges required to be capitalized on completion of routine capital works-in-progress and interest on borrowings for Budge Budge unit III chargeable to capital account. This amount also excludes an amount of Rs 201 lakh towards interest disallowed by the Commission on account of capital cost-over-run for the first two units of Budge Budge generating station. As against Rs.



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21997 lakh allowed in the tariff order, CESC Limited claimed Rs. 32255 lakh in its application for APR for 2010 – 2011 with the breakup as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
A. Interest on Capital Borrowings:		
1	Gross amount of interest on capital borrowings (vide detailed computations submitted in Form – C)	25521
2	Less: Amount capitalized	1211
3	Less: Amount disallowed due to capital cost-over-run of Budge Budge Plant	201
	Total amount of interest claimed towards capital borrowings (1-2-3)	24109
B. Interest on Working Capital		7935
C. Interest claimed on normative borrowings in terms of Tariff Regulations		211
	Total (A+B+C)	32255

2.10.2.2 Interest on Capital Borrowings:

2.10.2.2.1 It has been observed from Schedule 12 to the audited annual accounts that actual amount of interest chargeable to revenue accounts for the year 2010 – 2011 came to Rs. 27210 lakh after due adjustment for capitalization of Rs. 1211 lakh. After reducing Rs. 201 lakh being portion of interest on disallowed capital cost over-run of first two units of Budge Budge generating station the total amount of interest paid comes to Rs. 27009 lakh. This amount of Rs. 27009 lakh includes actual interest paid by CESC Limited on borrowing for working capital, as under:

Rs. in Lakh	
Total amount of interest allowable as above	27009
Less: Total amount of interest towards capital borrowing as per Form – C and as derived in paragraph 2.10.2.1.1	24109
Total amount of actual interest on working capital paid	2900

The above amount of Rs. 2900 lakh has been reflected in Schedule – 12 (Interest) to the audited accounts under the head 'others' besides interest on fixed loans of Rs. 25521 lakh.



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2.10.2.2.2 Since the interest on working capital is taken up separately in the following paragraph, the Commission now admits the amount of interest on capital borrowings i.e., Rs. 24109 lakh on actual basis, as arrived in the preceding paragraph.

2.10.2.3 Interest on working capital:

2.10.2.3.1 No amount on this head was considered in the tariff order for 2010 – 2011. As per their submission in Form 1.17(b), CESC Limited claimed separately an amount of Rs 7935 lakh as interest on normative basis on working capital of Rs. 64777 lakh as against Rs. 2900 lakh actually paid. It claimed interest on that amount @ 12.25% as applicable Prime Lending Rate (PLR) as on 01.04.2009 which is lower than actual contractual rate of 12.44%.

2.10.2.3.2 In terms of regulations 5.6.5.1 and 5.6.5.2 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 18% on the summation of annual fixed charges and FPPC reduced by the amounts of depreciation etc. The following are the calculation in this regard.

Sl. No.	Particulars	Amount in Rs. in lakh	Amount in Rs. in lakh
1	Annual Fixed charges now arrived excluding interest on working capital		190318.53
2	Fuel and Power Purchase Cost arrived in FPPCA order for 2010 – 2011		224496.14
3	Sub Total (1+2)		414814.67
	Less:		
4	Depreciation	25848	
5	Advance against depreciation	8126	
6	Deferred revenue expenditure	-	
7	Return on Equity	37225	
8	Provision for Bad Debt	1934	
9	Reserve for Unforeseen Exigencies	1984	
10	Sub Total (4 to 9)		75117.00
11	Fixed Charges for working capital [(3)-(10)]		339697.67
12	Normative requirement of Working Capital (18% of 11)		61145.58



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2.10.2.3.3 The interest @ 12.25%, being the PLR of SBI as on 01.04.2009, on the normative requirement of working capital of Rs. 61145.58 lakh thus comes to Rs. 7490.33 lakh. Since the actual interest on working capital paid by CESC Limited during the year is Rs. 2900.00 lakh, the Commission admits the same and allocates the same in the same ratio as claimed by CESC Limited for the generation and distribution functions as follows:

Rs. in Lakh

Generating station	Amount admitted in APR for 2010-11
Generation	
Budge Budge	1285.00
Titagarh	129.00
Southern	84.00
New Cossipore	47.00
Total (Generation)	1545.00
Distribution	1355.00
Total	2900.00

2.10.2.4 Interest on Normative Debt:

2.10.2.4.1 In addition to interest on actual amounts of capital borrowings, CESC Limited claimed for interest on normative debt amounting to Rs. 211 lakh as per Form 1.20(b). On scrutiny it is found that CESC Limited raised more debt during the year than it was required to draw as per normative debt equity ratio pertaining to that year and on cumulative basis.

2.10.2.4.2 However, in addition to interest on actual amount of capital borrowings, CESC Limited is entitled for interest on notional borrowings (normative debt) which has been settled during 2010 – 2011. Opening balance of the normative debt at the beginning of the year was Rs. 515 lakh. Repayment of normative debt taken place during 2010 – 2011 is Rs. 431 lakh and normative debt accumulated at the end of the year is Rs. 3006 lakh. It also transpires from the submission of CESC Limited that weighted average rate of interest is around 12%. Based on above,



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the Commission decides to allow interest on average balance of normative debt i.e., Rs. 1761 lakh in APR for 2010 – 2011 which comes to Rs. 211 lakh.

2.10.2.4.3 Considering the above, the interest in aggregate allowable in APR for 2010 – 2011 comes to Rs. 24320 lakh (Rs. 24109 lakh + Rs. 211 lakh). The cost center wise allocation of the total amount so admitted and as considered in the tariff order for the concerned year is as follows:

Particulars	Rs. in Lakh	
	As considered in the Tariff Order	As admitted in APR for 2010 – 2011
Generation Function		
Budge Budge	10311	11400
Titagarh	330	365
Southern	320	354
New Cossipore	23	25
Distribution Function	11013	12176
Total	21997	24320

2.10.3 Interest on Consumers' Security Deposits:

2.10.3.1 The total amount of interest paid to the consumers on their security deposits was found to be Rs. 5958 lakh as against an amount of Rs. 4393 lakh allowed in the tariff order for the concerned year. The positive variance in this regard is due to considerable increase in the amount of such deposits. The total amount of such deposits was Rs. 89648 lakh at the beginning and the same rose to Rs. 93546 lakh at the end of the year.

2.10.3.2 It had been confirmed by CESC Limited that the entire amount of interest payment had appropriately been settled in terms of the Commission's concerned Regulations. CESC Limited also submitted a certificate in this regard from its auditors. The amount of Rs. 5958 lakh is, therefore, admitted. The amount is chargeable to distribution function.



2.10.4 Foreign Exchange Rate Variations:

2.10.4.1 In accordance with regulation 5.12 of the Tariff Regulations, an amount of Rs. 171 lakh was allowed in the tariff for the year 2010 – 2011 towards estimated extra rupee liability in regard to projected foreign loan repayments. The actual expenditure against such provision came to Rs. 216 lakh and is admitted. The concerned loan, in foreign exchange, was for Budge Budge generating station.

2.10.5 Other Finance Charges:

2.10.5.1 The actual amount of other finance charges during the year came to Rs. 738 lakh as against Rs. 770 lakh allowed in the tariff for the year 2010 – 2011 with the following breakup:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Bank Charges	379
2	Processing Fees / Management Fees, etc.	170
3	Charge for Advance against Electricity Bills, etc.	24
4	Cash collection charges	165
	Total	738

2.10.5.2 The actual amount of Rs. 738 lakh is admitted with following cost center-wise allocation:

Rs. in Lakh		
Particulars	As considered in the Tariff Order	As admitted in APR for 2010 - 2011
Generation Function		
Budge Budge	348	240
Titagarh	112	100
Southern	66	55
New Cossipore	52	46
Distribution Function	192	297
Total	770	738



2.11 Bad Debts:

2.11.1 In terms of regulation 5.10.1 of the Tariff Regulations, the Commission is to allow such amount of bad debts as actually had been written off in the latest available audited accounts, subject to a ceiling of 0.5% of the annual gross sale revenue during the year. An amount of Rs. 1551 lakh was allowed in the tariff order 2010 – 2011 towards provision for bad debts. The amount of sales revenue for the year as per the audited accounts was Rs. 393985 lakh. The actual amount written off in the books of accounts towards bad debt was Rs. 1934 lakh and the same is found within 0.5% of the sales revenue earned. The amount of Rs. 1934 lakh is admitted in APR for 2010 – 2011 and this exclusively relates to distribution function.

2.12 Depreciation:

2.12.1 The total amount of depreciation as charged in the books of accounts was Rs. 26737.00 lakh including an amount of Rs. 750.00 lakh being the depreciation against trademark which is to be excluded. An amount of Rs. 139.00 lakh out of the total depreciation is on assets created by utilizing the proceeds from sale of old assets. The chargeable amount of depreciation for determination of tariff, therefore, comes to Rs. 25848.00 lakh (Rs. 26737.00 lakh – Rs. 750.00 lakh – Rs. 139.00 lakh) as against an amount of Rs. 24259.00 lakh allowed in the tariff. The increase in the amount of allowable depreciation by an amount of Rs. 1589.00 lakh was mainly due to addition of fixed assets with original cost for Rs. 55947 lakh in place of Rs. 51567 lakh envisaged at the time of determination of tariff for 2010 - 2011. CESC Limited in its application for APR 2010 – 2011 has explained that under certain heads the actual expenditure are higher than the estimates for the reasons stated hereinafter. In view of high growth of peak power requirement and to improve network reliability, CESC Limited incurred considerable capital expenditure towards strengthening of distribution network. In



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- order to supply quality power to the consumers as well as to provide safety to the working personnel and faster restoration of supply in case of outages, CESC Limited is making all efforts, including making large investments, specially for installation of transformers, switchgears and associated network reorganization jobs. At the same time, the expenditures under certain heads were lower than the estimate to contain the overall capital expenditure within the reasonable limit. It was also submitted that in a few cases due to non-availability of suitable plots of land, clearances, etc. and also to meet exigencies, there has been some modification in the implementation plan including phasing thereof.
- 2.12.2 As the capitalization programme vis-à-vis amount of depreciation cannot be precisely determined at tariff order stage, the Commission, thus, stipulated in the tariff order that the amount of depreciation found chargeable as per audited books of accounts, shall be considered for carrying out necessary adjustment in APR for the concerned year.
- 2.12.3 Thus, in terms of the Tariff Regulations, the Commission admits the amount of Rs. 25848.00 lakh towards depreciation.
- 2.12.4 The cost center-wise breakups to the amount considered in tariff and amount now admitted are as follows:

Rs. in Lakh

Particulars	As considered in the Tariff Order	As admitted in APR for 2010 - 2011
Generation Function		
Budge Budge	12372	12040
Titagarh	305	381
Southern	152	232
New Cossipore	113	95
Distribution Function	11317	13100
Total	24259	25848



2.13 Advance against Depreciation:

2.13.1 To facilitate the repayment of loans, an amount of Rs. 9867 lakh was allowed to CESC Limited in the tariff order for 2010 – 2011 in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations. As is seen from the submission, CESC Limited's entitlement for having such advance against depreciation based on the actual amount of loan repayments made and the actual amount of depreciation admitted during the year is as under:

Rs. in Lakh

Sl. No.	Particulars	Amount
(a)	Repayment of Loan	34816
	Less: Principal amount attributable to disallowed loans for Budge Budge Power Plant	842
	Total allowable repayment of loan during the year	33974
(b)	1/10 th of original loan amount netting of disallowed loans of Budge Budge Unit	38063
(c)	Maximum permissible amount of loan repayment restricted to 1/10 th of original loan amount	33974
(d)	Depreciation admitted in APR for 2010 - 2011	25848
(e)	Allowable advance against depreciation (a - d)	8126

2.13.2 The cost center-wise break-up of the amounts of advance against depreciation considered in the tariff and now admitted is found as under:

Rs. in Lakh

Particulars	As considered in the Tariff Order	As admitted in APR for 2010 – 2011
Generation Function		
Budge Budge	5032	3786
Titagarh	124	120
Southern	62	73
New Cossipore	46	30
Distribution Function	4603	4117
Total	9867	8126



2.14 **Return on Equity:**

2.14.1 Based on the inputs below, the actual average equity base for the year 2010 – 2011 is to be computed.

2.14.1.1 Actual addition to the equity base during 2010 – 2011 arrived at as below:

	Rs. in Lakh
Profit for the year	48840
Write off of Misc. expenditure	72
One time sale amount of assets invested In creation of new asset in terms of Regulation 5.15.1(iv)	184
Total	49096
Less:	
Dividend including tax	5808
Unforeseen Exigencies Reserve	2347
Total	8155
Actual Addition to equity base during 2010 – 2011	40941

2.14.1.2 Addition to the original cost of fixed assets during the year 2010 – 2011 (as per movement of fixed assets in Form No. 1.18 of APR application for 2010 – 2011):

	Rs. in Lakh
Addition to fixed assets	62458
Less: Normal retirement of assets	1423
Net addition to fixed asset	61035

In terms of regulation 5.15.1(iv) of the Tariff Regulations, CESC Limited invested proceeds of one time sale of asset to the tune of Rs. 184 lakh in creation of new assets in the electricity business of the company for which no depreciation has been claimed. This Rs. 184 lakh is included in actual addition to equity base for 2010 – 2011 of Rs. 40941 lakh and addition to fixed assets of Rs. 61035 lakh. Return on such equity shall be admissible to the CESC Limited.



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2.14.2 Equity base for allowing returns to the licensees at the specified rate is an uncontrollable factor in terms of the Tariff Regulations. CESC Limited was allowed return on the projected average equity base of Rs. 221719 lakh comprising generation function (amounting to Rs. 113619 lakh) and distribution function (amounting to Rs. 108100 lakh) @ 14% and 15% respectively on generation and distribution functions and that came to Rs. 15907 lakh for generation function and Rs. 16215 lakh for distribution function aggregating to Rs. 32122 lakh. The average equity base for the purpose of computation of return on equity during the year 2010 – 2011 came to Rs. 232546 lakh as per the computation shown hereunder:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Actual equity base at the beginning of the year	265008
2	Admissible equity base at the beginning of the year 2010 – 2011	224089
3	Actual equity base over admissible equity base awaiting adjustment at the beginning of the year 2010 – 2011 (1-2)	40919
4	Actual addition to equity base during the year	40941
5	Actual equity base at the end of the year (1+4)	305949
6	Maximum adjustable equity base during the year (3+4)	81860
7	Net Addition to the original cost of fixed assets during the year (vide submission in format 1.18)	55947
8	Less: Asset created in terms of regulation 5.15.1(iv) of the Tariff Regulations	184
9	Net addition to the original cost of fixed assets during the year other than assets created in terms of regulation 5.15.1 (iv) of the Tariff Regulations (7-8)	55763
10	Normative addition to equity base (30% of 9)	16729
11	Addition to equity base considered for the year (lower of 6 and 10)	16729
12	Add: Asset created in terms of regulation 5.15.1 (iv) of the Tariff Regulations	184
13	Addition in equity base during the year for the purpose of computation of return as per the Tariff Regulations. (11+12)	16913
14	Admissible equity base at the closing of the year 2010 – 2011 (2+13)	241002
15	Average admissible equity base for allowing returns (2+14)/2	232546
16	Excess of closing actual equity base over admitted closing equity base for the purpose of computation of ROE (5-14)	64947



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2.14.3 In terms of regulation 5.6.1.1 return on equity for generating company and transmission licensee shall be computed on the equity capital at the applicable rate provided by Central Electricity Regulatory Commission and in terms of regulation 5.6.1.2, the said rate will be one percent higher and will be related to distribution assets only. In terms of Central Electricity Regulatory Commission (Term and Conditions of Tariff) Regulations, 2009, the rate of return on equity for generation and transmission activity is 15.5%.

2.14.4 Allocation of equity base between generation function and distribution function based on ratio of the gross cost of fixed assets at the beginning of the year and addition during the year as submitted by CESC Limited and the amount admitted is shown below:

Rs. in Lakh

Particulars	Opening equity base of 2010-11	Addition to equity base during 2010-11	Closing equity base of 2010-11	Average equity base of 2010-11	Return on equity (in percent)	Return admitted in APR for 2010-11
Generation	113578	1878	115456	114518	15.5	17750
Distribution	110511	15035	125546	118028	16.5	19475
Total	224089	16913	241002	232546		37225

2.14.5 The cost center-wise breakups of the amount of return considered in tariff and now admitted are as under:

Rs. in Lakh

Particulars	As considered in the Tariff Order	As admitted in APR for 2010 – 2011
Generation Function		
Budge Budge	13700	15300
Titagarh	1040	1164
Southern	984	1064
New Cossipore	183	222
Distribution Function	16215	19475
Total	32122	37225



2.15 Write-off of Intangible Assets:

2.15.1 The amount of Rs. 72 lakh was allowed towards write-off of miscellaneous expenditure in the tariff for 2010 – 2011. The actual expenditure during the year 2010 – 2011 on the same score being Rs. 72 lakh is admitted in APR for 2010 - 2011. The cost center-wise allocation is stated below:

(Rs. in Lakh)

Particulars	Amount Admitted in APR for 2010-11
Generation Function	
Budge Budge	34
Titagarh	1
Southern	1
Distribution Function	36
Total	72

2.16 Reserve for Unforeseen Exigencies:

2.16.1 In terms of regulation 5.11 of the Tariff Regulations, an amount of Rs. 1911 lakh was allowed to CESC Limited in the tariff order for 2010 – 2011 towards reserve for unforeseen exigencies computing @ 0.25% on the projected gross value of fixed assets at the beginning of the year 2010 - 2011. The actual amount of such reserve created by CESC Limited at the same rate on the actual gross block of fixed assets as on 1 April, 2010 was Rs. 5810 lakh and amount appropriated out of profit during 2010 – 2011 is Rs. 2347 lakh. The amount of such reserve had separately been invested along with the amount of Rs. 363 lakh of interest accrued to such investments in accordance with the relevant regulation of the Tariff Regulations of this Commission. As per audited accounts of 2010 – 2011, CESC Limited has a closing balance of Rs. 8157 lakh in this fund. CESC Limited submitted the necessary audit certificates in this regard.

2.16.2 The actual gross value of fixed assets at the beginning of the year 2010 – 2011 is Rs. 793617 lakh. The admitted amount in APR for 2010 – 2011 is computed @



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0.25% on the gross value of opening fixed assets and the amount comes to Rs. 1984 lakh. Since CESC Limited has already made investment to this extent in this fund, Rs. 1984 lakh is admitted in APR for 2010 – 2011.

2.16.3 The Cost centre-wise break-up of the amounts of such reserve considered in the tariff order and now admitted are as under:

Particulars	Rs. in Lakh	
	As considered in the Tariff Order	As admitted in APR for 2010 – 2011
Generation Function		
Budge Budge	853	851
Titagarh	60	61
Southern	59	59
New Cossipore	13	13
Distribution Function	926	1000
Total	1911	1984

2.17 Taxes as per Income Tax Act:

2.17.1 A total amount of Rs. 3870 lakh was provided in the tariff for the year 2010 – 2011 towards taxes payable under the provisions of Income Tax Act. The actual amount of taxes paid by CESC Limited for the assessment year 2010 – 2011 (previous year 2009 – 2010) came to Rs. 8821 lakh.

2.17.2 As certified by the auditors, the payments were net of recoverable sum as per the return of income dated 11 October, 2010 for the financial year 2009 – 2010 (Assessment year 2010 – 2011). The Commission admits the amount actually paid.

2.17.3 The cost centre-wise allocation of the amounts of income tax so considered in the tariff and now admitted in APR 2010 – 2011 is considered as under:



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Rs. in Lakh

Particulars	As considered in the Tariff Order	As admitted in APR for 2010 - 2011
Generation Function		
Budge Budge	1651	3626
Titagarh	126	276
Southern	119	252
New Cossipore	22	53
Distribution Function	1952	4614
Total	3870	8821

2.18 Performance Incentive:

2.18.1 Schedule 10 to the Tariff Regulations provides for allowing incentives to generating companies and the licensees, as the case may be, for their improved performances. Since ARR for the concerned year was determined on prospective basis, no amounts towards such incentives were provided therein. Now that the actual performances of CESC Limited on different criteria came out from submissions, it is found eligible for incentives on following four factors:

- i) For generation higher than annual norms;
- ii) For Oil consumption less than the norms;
- iii) For gross station heat rate better than the norms;
- iv) For early COD with full load operation by coal fired thermal generating station.

2.18.2 CESC Limited provided detailed computations separately for each of the above four factors, following the methodologies and rates as specified in paragraph 1, paragraph 3, paragraph 4 and paragraph 10 of the schedule 10 to the Tariff Regulations in respect of above four factors. The calculations in this regard are presented in following table:

- i) Incentive for generation higher than annual norms:



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CESC Limited has achieved generation at Budge Budge, Titagarh and Southern generating stations higher than the generation as per annual norms of PLF for the year 2010 – 2011. The computation of incentive is given below:

Sl. No.	Factors	Unit	Budge Budge		Titagarh	Southern
			Units 1, 2 & 3 (Stabilized Period)	Unit 3 (Stabilization Period)		
1	Sent out generation	MU	4216.33	754.19	1713.62	986.97
2	Normative sent out generation	MU	4136.50	646.46	1530.55	860.93
3	Additional Units (1-2)	MU	79.83	107.73	183.07	126.04
4	Units sold along with permissible losses to persons other than consumers and WBSEDCL	MU	60.38	10.80	24.54	14.13
5	Additional Units net off above (3-4)	MU	19.45	96.93	158.53	111.91
6	PLF achieved	%	81.25	92.60	88.76	92.06
7	Normative PLF	%	80.00	80.00	80.00	80.00
8	Additional PLF (6-7)	%	1.25	12.60	8.76	12.06
9	Applicable category		A	A	D	B
10	Applicable rate	Paise/kWh	11	20	38	30
11	Amount eligible (5x10/10)	Rs. in Lakh	21.40	193.86	602.41	335.73

ii) Incentive for less oil consumption than the norms:

CESC Limited has consumed less oil than the normative value at Budge Budge, Titagarh and Southern generating stations during the year 2010 – 2011. Paragraph 3.2.2 of the order dated 19.10.2012 of the Commission in case no. FPPCA-54/11-12 may be referred to. The computation of incentive for less oil consumption than the norms are given below:

Sl. No.	Factors	Unit	Budge Budge		Titagarh	Southern
			Units 1, 2 & 3 (Stabilized Period)	Unit 3 (Stabilization Period)		
1	Gross generation for sales to consumers & WBSEDCL (As per Annexure – 2A of FPPCA order dated 19.10.2012)	MU	4566.98	816.91	1856.14	1069.05
2	Applicable Rate	Paise/Unit	0.25	0	0.40	0.30
3	Amount eligible (1x2/10)	Rs. in Lakh	114.17	0	74.25	32.07



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iii) Incentive for better gross station heat rate than norms:

CESC Limited has achieved better station heat rate than the normative value at Budge Budge generating station during the year 2010 – 2011. Paragraph 3.4 of the Order dated 19.10.2012 of the Commission in case no. FPPCA-54/11-12 may be referred to. The computation of incentive for better station heat rate than the norms are given below:

Sl. No.	Factors	Unit	Budge Budge	
			Units 1, 2 & 3 (Stabilized Period)	Unit 3 (Stabilization Period)
1	Applicable Rate	Paise/Unit	0.25	0.25
2	Gross generation for sales to consumers & WBSEDCL (As per Annexure – 2A of FPPCA order dated 19.10.2012)	MU	4566.98	816.91
3	Amount eligible (4x5/10)	Rs. in Lakh	114.17	20.42

iv) Incentive for early COD with full load operation by coal fired thermal generation station:

In terms paragraph 10 of Schedule 10 of Tariff Regulations, 2007, 50% of the interest saved during construction shall be allowed as incentive in such number of monthly instalments over first two year of operation of the generating station as may be stipulated by the Commission in the tariff order. In the instant case, Budge Budge unit no. 3 could save interest during construction for 115 days for early COD amounting to Rs. 2931.00 lakh and CESC Limited is entitled to 50% of the said amount i.e., Rs. 1465.50 lakh spread over first two years. However, an amount of Rs. 2198.00 lakh was already allowed to CESC Limited in APR for the year 2009 – 2010, vide order dated 23.02.2012 in the case no. APR-22/10-11. The Commission now adjusts the recoverable amount as under:



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	Rs. in Lakh
1. Savings in interest for early COD	2931.00
2. Amount of interest allowable (50% of 1)	1465.50
3. Amount of interest already allowed in APR 2009 – 2010	2198.00
4. Amount of interest recoverable now	732.50

2.18.3 The total amount of incentives thus arrive as under:

Sl. No.	Factors	Budge Budge			Titagarh	Southern	Total
		Units 1, 2 & 3 (Stabilized Period)	Unit 3 (Stabilizati on Period)	Total			
1	Higher generation	21.40	193.86	215.26	602.41	335.73	1153.40
2	Savings in oil consumption	114.17	-	114.17	74.25	32.07	220.49
3	Better station heat rate	114.17	20.42	134.59	-	-	134.59
4	Savings in interest during construction for early COD	-	(732.50)	(732.50)	-	-	(732.50)
	Total	249.74	(518.22)	(268.48)	676.66	367.80	775.98

2.19 Cost of Outsourcing:

2.19.1 In terms of regulation 5.22 of the Tariff Regulations, as amended, the licensee or generating company shall furnish activity wise separately in Form 1.17(k) the outsourcing expenditure. They shall also have to specifically state the head of accounts under which such expenditure was previously booked. If any outsourcing is introduced as new activity then they shall have to mention it clearly. Cost of outsourcing shall be considered for ARR determination prospectively subject to prudent check by the Commission. CESC Limited had projected Rs. 720 lakh in their tariff application for 2010 – 2011 towards call centre charges with a view to provide quality service to consumers by specialized agencies. They had a plan to refurbish their call centre and to engage a firm of international repute for handling call centre activities. The cost of outsourcing, however, was not separately dealt as a head of expenses in the tariff order for



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2010 – 2011 and thus no fund was specifically allowed on this score. The expenditure being controllable in nature, CESC Limited in their application for APR 2010 – 2011 has claimed Rs. 720 lakh as actual audited expenditure submitted in form 1.17(k) duly filled in and explained that the amount was incurred towards consumers' call handling mainly with regard to faults/pilferage reporting. It is also stated that this state-of-the-art call centre has been established and apart from dealing with consumers' complaints on supply interruptions, it is also equipped to handle pilferage complaints as well. The Commission is of the view that the steps were taken in the right direction and decides to admit the entire actual expenditure of Rs. 720 lakh on this score in the APR for 2010 – 2011.

2.20 Income from Non-Tariff Sources:

2.20.1 A total amount of Rs. 8018 lakh was considered towards the estimated earnings of CESC Limited from other non-tariff sources. In actual, such total income related to the core business came to Rs. 7427 lakh with the following accounts head-wise breakup:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Rental of meters and other apparatus hired out	3885
2	Sale and repair of lamp and other apparatus	12
3	Transfer / service connection fees	187
4	Income from investments and bank balances	1503
5	Surcharge for late payments	1035
6	Other general receipts arising from and ancillary or incidental to the business of electricity	805
7	Net income from non-tariff sources	7427

2.20.2 The function and cost center-wise allocation of such incomes from non-tariff sources are as under:



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Rs. in Lakh

Particulars	As considered in the Tariff Order	As admitted in APR for 2010 – 2011
Generation Function		
Budge Budge	1273	980
Titagarh	93	74
Southern	88	68
New Cossipore	19	14
Distribution Function	6545	6291
Total	8018	7427

2.21 Income from Unscheduled Interchange (UI) of Power:

2.21.1 CESC Limited earned an amount of Rs. 393 lakh during the year from the unscheduled interchange charges. In terms of regulation 5.17.3 of the Tariff Regulations, 2011, CESC Limited being a distribution licensee is to share the amount of net income from U.I. charges with its consumers. The extent of such sharing shall be as decided by the Commission. The Commission decides that CESC Limited share the entire amount of UI charge with its consumers, including WBSEDCL.

2.22 Benefits to be passed on to Consumers & West Bengal State Electricity Distribution Company Limited (WBSEDCL):

2.22.1 The admissible gross amount of fixed charges are also to be reduced by the amount of gains derived by CESC Limited from the sale of power to the persons other than the consumers and WBSEDCL, by carbon trading and by providing auxiliary services. The details of such benefits provided by CESC Limited in its application for APR for 2010 – 2011 are as under:

Rs. in Lakh

Sl. No.	Sources	Revenue Received	Related Cost	Gains derived	Share to Consumers & WBSEDCL
1	2	3	4	5 (3-4)	6
1	Sale of power to persons other than to consumers and WBSEDCL	3353	2059	1294	776 (60%)
2	Carbon trading	238	35	203	61 (30%)
3	Auxiliary services	251	70	181	72 (40%)
	Total	3842	2164	1678	909



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2.22.2 Since the attributable cost for carbon trading as well as for providing auxiliary services, i.e., Rs. 35 lakh and Rs 70 lakh respectively had been included in the gross amount of admitted fixed charges, those are also to be deducted. The cost of carbon trading is in relation to generating stations and that of auxiliary services related to distribution services.

2.22.3 However, the cost related to sale of electricity to persons other than consumers and WBSEDCL is the fuel cost only. In the order of Fuel and Power Purchase Cost Adjustment (in short 'FPPCA') of CESC Limited for 2010 – 2011 as per Annexure – 2A, the admissible fuel cost to the extent of sale to consumer and WBSEDCL was allowed. Therefore, the related fuel cost of sale of electricity to person/s other than consumer and WBSEDCL need not be considered here. However, income from sale of power to person/s other than consumer and WBSEDCL and benefit to be passed on to the consumers and WBSEDCL in this regard is ascertained as per following table:

Sl. No.	Factors	Amount (Rs. in Lakh)					
		Budge Budge			Titagarh	Southern	Total
		Units 1, 2 & 3 (Stabilized period)	Unit 3 (Stabilizati on period)	Total			
1	Revenue earning from sale of power to person/s other than consumer and WBSEDCL (as per audited certificate)	1842.94	329.64	2172.58	749.02	431.40	3353.00
2	Less: Fuel cost related to matching sent out energy at an applicable rate of admissible fuel cost for energy sent out as per Annexure – 2A of FPPCA order for CESC Limited for the year 2010 – 2011	1010.34	176.33	1186.67	553.71	300.21	2040.59
3	Net Income (1-2)	832.60	153.31	985.91	195.31	131.19	1312.41
4	Benefits to be passed on to consumers in terms of regulation 5.15.2(iv) – 60% of net income (3)	499.56	91.99	591.55	117.19	78.71	787.45

2.22.4 In terms of regulation 5.15.2 (iv) of the Tariff Regulations, the Commission decides to pass 60% of such benefits from sale of power to the persons other



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than consumers of CESC Limited and licensees to those consumers and licensees for the year 2010 – 2011.

2.22.5 Summing up the analyses and findings in the preceding sub-paragraphs, the amount of the share of benefits to be passed on to the consumers & WBSEDCL and the attributable cost thereon admitted in APR is as below:

Rs. in Lakh

SI No	Particulars	As per the Tariff Order		As admitted on APR for 2010 – 2011	
		Attributable Cost	Share of Benefits to Consumers & WBSEDCL	Attributable Cost	Share of Benefits to Consumers & WBSEDCL
1	Sale of electricity to persons other than consumers & WBSEDCL	N.A.	4482.00*	N.A.	787.45
2	Auxiliary Services	60.00	41.00	70.00	72.00
3	Carbon Trading	0.00	0.00	35.00	61.00
4	Other Business	0.00	400.00	0.00	0.00
	Total	60.00	4923.00	105.00	920.45

*In Tariff Order for 2010 – 2011, the amount is shown under Regulatory Asset.

2.22.6 The benefits passed on to the consumers and other licensees allocated to the generating stations and distribution system are as below:

Rs. in Lakh

Particulars	Carbon Trading	Other Aux. Service	Sale to persons other than Consumer & Licensee	Total
Generation Function				
Budge Budge	-	-	591.55	591.55
Titagarh	61.00	-	117.19	178.19
Southern	-	-	78.71	78.71
New Cossipore	-	-	-	-
Distribution Function				
	-	72.00	-	72.00
Total	61.00	72.00	787.45	920.45

2.23 Amount withheld for Non-Compliance of Safety Audit Requirements:

2.23.1 An amount of Rs. 100 lakh was withheld from the fixed charges for the year 2010 – 2011 for non-compliance of the safety audit requirements. Since the compliance reports have subsequently been submitted, no such deductions in



this regard are being considered necessary and the aforesaid withheld amount stands released.

2.24 Regulatory Asset:

2.24.1 Since the quantum of gains to be derived by the licensees from the sale of electricity to persons other than consumers and licensees were highly dependant on the availability of power from generation after meeting the demand of its own consumers as well as on the fluctuating demand and supply conditions in the market, the Commission considered to deduct an amount of Rs. 4482 lakh as regulatory asset pending the ascertainment of the final position in this regard. Now that the quantum of such sale, the amount of revenue realized from that as well as the amount of consumers' share of gain had finally been ascertained and accounted for, no such deduction is found necessary and the amount withheld towards regulatory assets stands released through APR.

2.25 Admissibility of recovery of full Capacity Charges as per provisions of regulation 6.4.2 of the Tariff Regulations:

2.25.1 In terms of regulation 6.4.2 of the Tariff Regulations, from the second control period, the recovery of capacity charge for all the generating station of the licensee and generating company shall be against the normative availability. However, since all the generating stations of CESC Limited have achieved availability more than the targeted availability, CESC Limited is entitled to recover full capacity charges during 2010 - 2011.

2.26 Fixed Charges as admitted:

2.26.1 Based on the foregoing analyses, the total amount of fixed charges allowable separately for each of the generating stations and distribution functions of CESC Limited have been shown in Annexure 2A. As may be seen there-from, the allowable fixed charges come as under:



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Sl. No.	Particulars	Amount (Rs. in Lakh)
		As admitted on APR for 2010 - 2011
1	Generation Function	
	Budge Budge	59080.97
	Titagarh	10482.47
	Southern	6525.09
	New Cossipore	4780.00
2	Distribution Function	112350.00
	Total	193218.53



Annexure – 2A

Rs. in lakh

Sl. No	Head of Accounts	As per Tariff Order						As admitted in APR					
		Budge Budget	Titagarh	Southern	New Cossipore	Distribution & Selling Activity	Total	Budge Budget	Titagarh	Southern	New Cossipore	Distribution & Selling Activity	Total
1	Employee Cost	3606.00	2921.00	1763.00	2677.00	26026.00	36993.00	3673.00	3557.00	2228.00	2649.00	32701.00	44808.00
2	Water Charges/Cess	6.00	224.00	201.00	50.00	0.00	481.00	6.00	160.00	68.00	28.00	0.00	262.00
3	Coal & Ash Handling Charges	807.00	722.00	242.00	55.00	0.00	1826.00	360.00	707.00	173.00	48.00	0.00	1288.00
4	Operation & Maintenance Expenses	7568.00	2815.00	1611.00	1516.00	20651.00	34161.00	7568.00	2815.00	1611.00	1516.00	21278.00	34788.00
5	Rent							0.00	0.00	4.00	0.00	0.00	4.00
6	Rates & Taxes							246.00	108.00	10.00	11.00	188.00	563.00
7	Insurance							296.00	61.00	36.00	11.00	227.00	631.00
8	Lease Rental	0.00	156.00	70.00	0.00	1174.00	1400.00	0.00	82.00	0.00	0.00	0.00	82.00
9	Cost of Outsourcing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	720.00	720.00
10	Interest on Capital Borrowings	10311.00	330.00	320.00	23.00	11013.00	21997.00	11400.00	365.00	354.00	25.00	12176.00	24320.00
11	Interest on Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	1285.00	129.00	84.00	47.00	1355.00	2900.00
12	Interest on Security Deposit	0.00	0.00	0.00	0.00	4393.00	4393.00	0.00	0.00	0.00	0.00	5958.00	5958.00
13	Foreign Exchange Rate Variations (FERV)	171.00	0.00	0.00	0.00	0.00	171.00	216.00	0.00	0.00	0.00	0.00	216.00
14	Other Finance Charges	348.00	112.00	66.00	52.00	192.00	770.00	240.00	100.00	55.00	46.00	297.00	738.00
15	Bad Debt	0.00	0.00	0.00	0.00	1551.00	1551.00	0.00	0.00	0.00	0.00	1934.00	1934.00
16	Depreciation	12372.00	305.00	152.00	113.00	11317.00	24259.00	12040.00	381.00	232.00	95.00	13100.00	25848.00
17	Advance against Depreciation	5032.00	124.00	62.00	46.00	4603.00	9867.00	3786.00	120.00	73.00	30.00	4117.00	8126.00
18	Written off Intangible Assets	35.00	1.00	0.00	1.00	35.00	72.00	34.00	1.00	1.00	0.00	36.00	72.00
19	Returns	13700.00	1040.00	984.00	183.00	16215.00	32122.00	15300.00	1164.00	1064.00	222.00	19475.00	37225.00
20	Reserve for Unforeseen Exigencies	853.00	60.00	59.00	13.00	926.00	1911.00	851.00	61.00	59.00	13.00	1000.00	1984.00
21	Income Tax	1651.00	126.00	119.00	22.00	1952.00	3870.00	3626.00	276.00	252.00	53.00	4614.00	8821.00
22	Performance Incentive	0.00	0.00	0.00	0.00	0.00	0.00	-268.48	676.66	367.80	0.00	0.00	775.98
23	Gross Fixed Charges (1 to 22)	56460.00	8936.00	5649.00	4751.00	100048.00	175844.00	60658.52	10763.66	6671.80	4794.00	119176.00	202063.98



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Sl. No.	Head of Accounts	As per Tariff Order						As admitted in APR					
		Budge Budge	Titagarh	Southern	New Cossipore	Distribution & Selling Activity	Total	Budge Budge	Titagarh	Southern	New Cossipore	Distribution & Selling Activity	Total
24	Less: Income from Non-Tariff Sources	1273.00	93.00	88.00	19.00	6545.00	8018.00	980.00	74.00	68.00	14.00	6291.00	7427.00
25	Less: Income from UI Charge	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	393.00	393.00
26	Less: Expenses attributable to other auxiliary services	0.00	0.00	0.00	0.00	60.00	60.00	0.00	0.00	0.00	0.00	70.00	70.00
27	Less: Expenses for Carbon Trading	0.00	0.00	0.00	0.00	0.00	0.00	6.00	29.00	0.00	0.00	0.00	35.00
28	Less: Benefit passed on to consumers and WBSEDCL	0.00	0.00	0.00	0.00	441.00	441.00	591.55	178.19	78.71	0.00	72.00	920.45
29	Less: Amount withheld	5.00	5.00	5.00	5.00	80.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00
30	Less: Regulatory Assets	3873.00	284.00	267.00	58.00	0.00	4482.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Total (24 to 30)	5151.00	382.00	360.00	82.00	7126.00	13101.00	1577.55	281.19	146.71	14.00	6826.00	8845.45
32	Net Fixed Charge for the year 2010 - 2011 (23-31)	51309.00	8554.00	5289.00	4669.00	92922.00	162743.00	59080.97	10482.47	6525.09	4780.00	112350.00	193218.53



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 As shown at the concluding paragraph of the previous chapter, the re-determined allowable fixed charges separately for each of the generating stations of CESC Limited as well as for its distribution functions including retail selling activities come as under:

Particulars	Amount (Rs. in Lakh)
Generation Function	
Budge Budge	59080.97
Titagarh	10482.47
Southern	6525.09
New Cossipore	4780.00
Distribution Function	112350.00
Total	193218.53

- 3.2 In its order dated 19.10.2012 in case No. FPPCA-54/11-12, the Commission also re-determined the fuel and power purchase cost allowable to CESC Limited totaling to Rs. 224496.14 lakh, after meeting the amounts relating to shares of various gains attributable to its consumers and WBSEDCL in terms of the Tariff Regulations vide paragraph 4.2 and paragraph 4.3 of the aforesaid order. The cost centre wise breakup of this total amount of Rs. 224496.14 lakh is as follows:

Rs. in Lakh

Particulars	Generating Stations				Distribution	Total
	Budge Budge	Titagarh	Southern	New Cossipore		
Admitted Fuel Cost excluding gain on improved distribution loss as per Order dated 22.02.2012 in Case No. FPPCA-54/11-12.	79785.18	38557.94	20781.44	17024.97	0.00	156149.53
Admitted Power Purchase Cost including gain on improved distribution loss	0.00	0.00	0.00	0.00	68346.61	68346.61
Total Fuel and Power Purchase Cost including gain on improved distribution loss	79785.18	38557.94	20781.44	17024.97	68346.61	224496.14



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- 3.3 It comes out from the enumerations as shown above, CESC Limited's total realizable sales revenue from its consumers and WBSEDCL during the year 2010 – 2011 comes as follows:

	Rs. in Lakh
Fuel & Power Purchase Cost	224496.14
Fixed Charges	193218.53
Total:	417714.67

- 3.4 **Gains through Better Performance in Distribution Loss than the Norms:**
- 3.4.1 In terms of paragraph D of Schedule 9B of the Tariff Regulations, gains accruing to a distribution licensee due to its performance in distribution loss being better than the norms of distribution loss in any year may be retained by that distribution licensee in that year subject to gain sharing applicable separately for fuel cost of own generation as specified in paragraph A of Schedule 7A of the Tariff Regulations during Fuel and Power Purchase Cost (FPPC) determination. In terms of paragraph 3.5 of the Fuel and Power Purchase Cost Adjustment (FPPCA) order of CESC Limited for the year 2010 – 2011 vide order dated 19.10.2012 in Case No. FPPCA-54/11-12, CESC Limited could save 217.140 MU for better performance in distribution loss than the norms and they have been allowed to retain the benefit for such savings amounting to Rs. 5161.85 lakh during FPPC determination for 2010 – 2011.
- 3.4.2 In terms of paragraph 3.3 above, the total admitted variable and fixed cost in APR for 2010 – 2011 of CESC Limited for sale of energy to consumers and WBSEDCL comes to Rs. 417714.67 lakh for 8173.39 MU of energy @ 511.07 paise / kWh. Units saved through reduction of distribution loss in 2010 – 2011 is 217.140 MU and therefore CESC Limited is allowed to retain the revenue earned i.e., Rs. 11097.37 lakh subject to adjustment of gain sharing accruing to them amounting to Rs. 5161.85 lakh through the FPPCA order referred above. The net adjustment with the actual revenue realized from such savings in sale of energy



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to own consumers and WBSEDCL comes to Rs. 5935.52 lakh (Rs. 11097.37 lakh – Rs. 5161.85 lakh).

- 3.5 The Commission is now to see how much sales revenue had been earned by CESC Limited by way of sale of power to the consumers and WBSEDCL with reference to its audited accounts. The figure comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Earnings from sale of electricity (Net of the amount of Advance Depreciation) as per audited accounts of CESC Limited	393985.00
2	Add: Advance against depreciation (As per note 3 of Notes on Accounts under Schedule 13)	6755.00
3	Gross earnings from sale of energy	400740.00
4	Less: Earnings from sale of energy to persons other than own consumers and WBSEDCL	3353.00
5	Actual revenue realized from sale of Energy to own consumers and WBSEDCL	397387.00

- 3.6 In terms of paragraph 3.4.2 above, Rs. 5935.52 lakh is to be adjusted against actual revenue realized from sale of energy for 2010 – 2011 amounting to Rs. 397387.00 lakh. Accordingly, the re-determined actual revenue realized by CESC Limited from sale of energy to own consumers and WBSEDCL comes to Rs. 391451.48 lakh (Rs. 397387.00 lakh – Rs. 5935.52 lakh) and the same is allocated to different generating stations and distribution function as below:

Rs. in Lakh

Particulars	Amount
Generation Function	
Budge Budge	130135.15
Titagarh	45957.07
Southern	25589.67
New Cossipore	20434.01
Distribution Function	169335.58
Total	391451.48



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- 3.7 CESC Limited utilized 1295.00 lakh from the power purchaser fund to meet a portion of its increased cost of power purchase due to increase in power purchase price. The amount of Rs. 1295.00 lakh is now being considered to be deducted from gross ARR of CESC Limited as that amount was available from the power purchaser fund. CESC Limited is directed to submit the accounts of power purchaser fund duly audited along with the APR application for 2012-2013.
- 3.8 In the tariff order for 2010 – 2011 an amount of Rs. 3841.39 lakh as refundable in the APR for 2008 – 2009 was adjusted in the ARR for 2010 – 2011. Accordingly, the amount of Rs. 3841.39 lakh is also required to be adjusted in determining the net recoverable amount. Thus the recoverable amount for the year 2010 – 2011 comes at Rs. 413873.28 lakh (Rs. 417714.67 lakh – Rs. 3841.39 lakh).
- 3.9 As it comes out from the findings in paragraph 3.6, 3.7 and 3.8 above, CESC Limited is to recover an amount of Rs. 21126.80 lakh (Rs. 413873.28 Lakh – Rs. 391451.48 Lakh – Rs. 1295.00 lakh) with cost centre-wise breakup as given below:

Rs. in Lakh

Particulars	Amount Recovered from sale of power	Amount received from power purchase fund	Fuel & Power Purchase Cost	Fixed Charges	Refund of Fixed Charges on account of APR for 2008-2009	Total Recoverable	Balance recoverable
1	2	3	4	5	6	7 (4+5-6)	8 [7-(2+3)]
Generation Function							
Budge Budge	130135.15	0.00	79785.18	59080.97	1274.90	137591.25	7456.10
Titagarh	45957.07	0.00	38557.94	10482.47	436.86	48603.55	2646.48
Southern	25589.67	0.00	20781.44	6525.09	275.90	27030.63	1440.96
New Cossipore	20434.01	0.00	17024.97	4780.00	201.53	21603.44	1169.43
Distribution Function	169335.58	1295.00	68346.61	112350.00	1652.20	179044.41	8413.83
Total	391451.48	1295.00	224496.14	193218.53	3841.39	413873.28	21126.80



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- 3.10 In terms of the Tariff Regulations, the entire recoverable amount of Rs. 21126.80 lakh or a part thereof may be adjusted with the amount of Aggregate Revenue Requirement for the year 2013 – 2014 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 CESC Limited for the year 2013 – 2014 or that for any other ensuing year or in a separate order.
- 3.11 CESC Limited is directed to provide actual audited figure for each head of expenditure whether controllable or uncontrollable properly allocating between generation and distribution functions in their APR petition for the ensuing years. CESC Limited may, however, submit reconciliation statement for each head of expenses necessitating any adjustment separately.
- 3.12 CESC Limited is to take a note of this order.

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATED: 19.03.2013