



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 21 / 10 – 11

**IN RE THE APPLICATION OF WEST BENGAL STATE
ELECTRICITY TRANSMISSION COMPANY LIMITED FOR ANNUAL
PERFORMANCE REVIEW FOR THE FINANCIAL YEAR 2009 – 2010
IN TERMS OF REGULATION 2.6
OF THE WEST BENGAL ELECTRICITY REGULATORY
COMMISSION (TERMS AND CONDITIONS OF TARIFF)
REGULATIONS, 2011, AS AMENDED.**

DATE: 30.08.2012



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, 2007 (hereinafter referred to as the 'Tariff Regulations, 2007'), the generating companies or the licensees, as the case may be, were subject to an Annual Performance Review (in short 'APR'). West Bengal State Electricity Transmission Company Limited (hereinafter referred to as 'WBSETCL') submitted their application for Annual Performance Review for 2009-10 on 30th November, 2010 in terms of the provision contained in Tariff Regulations, 2007. The application was numbered as APR-21/10-11.
- 1.2 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performance and projected performance under different factors/ heads of accounts.
- 1.3 Since the Tariff Regulations, 2007 has been repealed and the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended (hereinafter referred to as the "Tariff Regulations") is now effective, the instant application needs to be dealt with as per provisions of the Tariff Regulations.
- 1.4 WBSETCL is one of the successor entities of erstwhile West Bengal State Electricity Board (in short 'WBSEB') and came into being with effect from 1 April, 2007. It is engaged in the business of transmission of electricity and management of the State Load Despatch Centre 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 vide Notification No. 12-PO/O/III/3R-29/2006 dated 25 January, 2007 followed by subsequent modifications made through Notification No. 313-PO/O/III/3R-29/2006 dated



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- 19.09.2008. The instant application of WBSETCL for APR for 2009 – 2010 is its third application based on independent audited annual accounts for the year 2009-10. The adjustments as may arise out of the review of the instant application with reference to the aforesaid audited annual accounts and the Commission's tariff order dated 28.07.2009 for WBSETCL for 2009 - 2010 in Case No. TP-36/08-09 will be considered for giving effect while determining the amount of revenue recoverable through tariff during the year 2011 – 2012.
- 1.5 The APR is to cover the annual fixed charges allowed to the applicant, 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 WBSETCL while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2009-2010 in terms of the referred schedules to the Tariff Regulations. The APR for the year 2009-2010 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBSETCL through its ARR for the year 2009-2010 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 tariff in an appropriate manner as may be decided by the Commission. The variations arising out of the controllable factors shall, however, be on the accounts of the licensee. The instant application of WBSETCL is being viewed in the subsequent parts of this order.
- 1.6 WBSETCL submitted the required data / information in the formats specified by the Commission and also a copy of its Annual Accounts for 2009 – 2010 duly audited by the statutory auditors. The detailed review of its performances is being taken up in the subsequent parts of the order. The review will involve examination of the expenditures incurred under different heads of fixed charges for ascertaining the admissibility of such expenditures in terms of the Tariff Regulations.



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- 1.7 WBSETCL was directed to publish, in terms of regulation 2.6.12 of the Tariff Regulations, the gist of the application, as submitted by WBSETCL and approved by the Commission, in at least four daily newspapers having wide circulation in the area of WBSETCL at least one each of such newspapers being in Bengali and English and also in the website of WBSETCL. The gist was accordingly, published simultaneously on 28th June, 2011 in Anandabazar Patrika, Sakalbela, Aajkal and Times of India. 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 2009 – 2010 of WBSETCL and requested for submission of objections, comments etc., if any, on the application to the Commission by 20th July, 2011 at the latest. Opportunities were also afforded to all to inspect the application and take copies thereof.
- 1.8 No comment, suggestion, objection on application for APR for the year 2009 – 2010 of WBSETCL has been received.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the ARR for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amount of actual expenses/charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be.

2.2 Treatment of Net Prior Period Adjustments:

2.2.1 It is observed from the audited annual accounts of WBSETCL for the year 2009 – 2010 that Rs. 303.96 lakh has been considered as net prior period income during 2009 – 2010. Further to their submission of application for APR 2009 – 2010, WBSETCL vide their Memo No. GM(F&A)/Tariff/4B/527 dated 20th October, 2011 placed audited certificate regarding breakups of income and expenditures between WBSETCL and SLDC, which shows that SLDC has a prior period expenditure of Rs. 0.17 lakh and thus net prior period income for WBSETCL other than SLDC appeared to be Rs. 304.13 lakh during 2009 – 2010. They have also furnished a breakup of the net prior period income as below:

Sl. No.	Head of Expenditure/(Income)	Amount (Rs. In lakh)
1	Excess provision for employees I. Tax in previous year	(0.11)
2.	Finance charges (excess provision for Govt. guarantee)	(260.57)
3.	Other excess provision of previous year (administrative charges)	(55.84)
4.	Employee cost related to previous year	7.50
5.	Interest & finance charges of previous year	4.83
6.	Operating expenses of previous year	0.06
Net Prior Period (Income)/Expenditure		(304.13)



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Summing up the above, it is considered to give effect head wise expenses in the APR for 2009 – 2010 as below:

- (a) Employee cost is to be given positive adjustment amounting to Rs. 7.39 lakh (Rs. 7.50 lakh – Rs. 0.11 lakh).
- (b) Finance charge is to be given negative adjustment amounting to Rs. 255.74 lakh (Rs. 260.57 lakh – Rs. 4.83 lakh).
- (c) No adjustment is necessary for O&M expenses being controllable in nature.

2.2.2 The review of each of such uncontrollable heads of fixed charges with reference to the amount allowed through ARR and the actuals based on the audited accounts of WBSETCL is being taken up hereunder one by one.

2.3 **Employee Cost:**

2.3.1 WBSETCL was allowed a total amount of Rs. 8490.00 lakh chargeable to its revenue accounts towards employee cost which includes salaries, wages, allowances, bonus, contribution to P.F. etc. as well as Staff Welfare expense. As per the audited accounts (vide Schedule-18 to that) the actual chargeable expenditures (gross) came to Rs. 11308.15 lakh and after capitalizing a total amount of Rs. 2002.23 lakh, the net employee cost for WBSETCL as a whole came as Rs. 9305.92 lakh for the year 2009 – 2010.

2.3.2 Out of the total chargeable amount of Rs. 9305.92 lakh, as stated above, the payment of Rs. 356.06 lakh pertained to salary and terminal benefits of SLDC. The employee cost attributable to WBSETCL other than SLDC for the year 2009 – 2010 was, thus coming to Rs. 8949.86 lakh. Further to above, Rs. 7.39 lakh has been considered to be given as positive adjustment as prior period expenditure and thus in aggregate admitted employee cost comes to Rs. 8957.25 lakh in APR for the year 2009 – 2010. The Commission admits the entire amount of Rs. 8957.25 lakh towards employee cost of WBSETCL being uncontrollable in APR for 2009 – 2010.



2.4 Operation and Maintenance Expenses:

2.4.1 The operation and maintenance expense, including general administrative expenses, are categorized as controllable. The provision in this regard in the tariff was considered for a total amount of Rs. 3053.20 lakh. The actual total expenditure incurred against this provision came to Rs. 3537.79 lakh.

2.4.2 In terms of the Tariff Regulations, the savings / excess in expenditures under the controllable heads are to be in the accounts of the licensee. The Commission, thus, admits the amounts as were provided in tariff without making any adjustment for SLDC as the same is not apportionable in tariff. Further to it, WBSETCL has stated that they have paid consultancy charge for development of perspective plan for the company and for development of internal audit manual amounting to Rs. 37.55 lakh, which being non-regular in nature is also admitted. Thus, the total admitted expenses towards operation and maintenance expenses came to Rs. 3090.75 lakh (Rs. 3053.20 lakh + Rs. 37.55 lakh) in APR for 2009 – 2010.

2.5 Interest on Borrowed Capital:

2.5.1 The provisions for interest charges on borrowed capital of WBSETCL as were considered in the tariff order for the year 2009 – 2010 and as actually came as per the audited accounts, vide Schedule – 20 thereto and as per Form – C to Annexure – I of the APR application, are as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)	
		As per Tariff Order	As per Audited Accounts
1	Bonds (11.50%)	931.00	2396.47
2	Bond (12%)	640.00	
3	Borrowing from PFC Limited	4796.00	1507.65
4	Borrowing from REC	7194.00	3301.02
5	L.I.C.I.	848.00	19.00
6	Govt. of West Bengal	15673.00	9571.23
7	Terms loans from Bank		909.09
	Total	30082.00	17704.46
8	Less: Capitalization	14115.00	1517.79
9	Amount chargeable to Revenue Accounts	15967.00	16186.67



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2.5.2 The fresh borrowings and repayments in the capital accounts during the year worked out to Rs. 47041.00 lakh and Rs. 39720.00 lakh respectively as against Rs. 62446.00 lakh and Rs. 19348.00 lakh respectively projected by WBSETCL in its tariff application. Going by the audited accounts and Form – C to Annexure - I, the Commission considered to admit the amount of Rs. 16186.67 lakh as interest on borrowing in the APR for the year 2009 – 2010.

2.5.3 The addition to capital expenditure in the form of fixed assets put to use during the year came to Rs. 70343.97 lakh of which Rs. 1.29 lakh pertaining to SLDC. Thus, the net addition for WBSETCL other than SLDC amounts to Rs. 70342.68 lakh. Normative amount of debt @ 70% of that amount, comes to Rs. 49239.88 lakh as against actual additional borrowings of Rs. 54041.00 lakh as per audited accounts. Therefore no normative interest on normative capital borrowings is allowed.

2.6 Interest on Bonds for creation of Pension Funds:

2.6.1 To take care of unfunded liability towards staff terminal benefits on actuarial determination, Bonds (8.5%) were issued and the amount pertaining to WBSETCL was considered as Rs. 27000.00 lakh. The annual interest charge on these Bonds was considered as Rs. 2295.00 lakh. It came out from the audited accounts that no variation in the amount of principal and chargeable interest was there. The amount considered in the tariff order, therefore, remained unaltered.

2.7 Interest on Working Capital:

2.7.1 No amount under the head interest on working capital was allowed in the ARR for 2009 – 2010. The actual amount on this account was Rs. 296.00 lakh. WBSETCL has, however, claimed Rs. 718.26 lakh as interest on normative



working capital. The Commission considers to allow interest on working capital on the basis of actual interest paid during the year as per audited accounts.

2.7.2 Commission, thus, admits Rs. 296.00 lakh as interest on working capital in APR for 2009 – 2010.

2.8 Other Finance Charges:

2.8.1 The total amount of expenses incurred by WBSETCL towards other finance charges, as per the audited accounts came to Rs. 890.64 lakh which included service fees / commitment charges of Rs. 102.29 lakh, redemption premium on PFC Bonds amounting to Rs. 696.30 lakh and Rs. 90.03 lakh paid to the Government of West Bengal towards guarantee charges. WBSETCL explained that premium on pre-payment of loan paid to Power Finance Corporation Limited was to get rid of high interest burden. The Commission, in terms of regulation 5.6.4.2(iii) of the Tariff Regulations, allows such loan swapping arrangements. Out of Rs. 890.64 lakh of aggregate other finance charges, Rs. 0.01 lakh is related to SLDC. The Commission thus admits the amount of actual expenses of Rs. 890.63 lakh related to WBSETCL excluding SLDC for APR 2009 – 2010.

2.8.2 Further to above, WBSETCL, by providing subsequent details of prior period adjustment, has requested for adjustment of excess provision towards guarantee charges to the Government of West Bengal for 2008 – 2009 amounting to Rs. 260.57 lakh requiring negative adjustment in APR for 2009 – 2010 and Rs. 4.83 lakh payable in 2008 – 2009 but not provided in 2008 – 2009 and paid in netting of 2009 - 2010. The aggregate of other finance charges to be allowed to WBSETCL in APR 2009 – 2010 thus comes to Rs. 634.89 lakh.

2.9 Depreciation:

2.9.1 An amount of Rs. 11189.28 lakh was charged to the books of accounts towards depreciation on assets which is inclusive of Rs. 0.81 lakh towards depreciation on assets of SLDC as against Rs. 12302.00 lakh allowed in the ARR for the year 2009 – 2010. In regards to the value of fixed assets accounted for and the



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amount of chargeable depreciation, the statutory auditors made number of adverse comments, especially in regard to non-amortization of the cost of leasehold land etc. In the absence of proper details, the auditors could not quantify the financial implications in this regard. The Commission, therefore, going by the audited accounts, admits the amount of Rs. 11188.47 lakh (Rs. 11189.28 lakh – Rs. 0.81 lakh) charged in the books of WBSETCL excluding SLDC. It is reiterated that WBSETCL is directed to clear the points of qualifications made by the auditors and reflect the correct position in the accounts for the year 2011 – 2012.

2.10 Advance against Depreciation:

2.10.1 The Tariff Regulations of the Commission provides for allowing advance against depreciation when the amount of annual depreciation falls short of the amount of loan repayment in any financial year. The amount of loan repayment, however, is to be restricted to 1/10th of the principal amount of original loans. An amount of Rs. 7046.00 lakh was allowed to WBSETCL in the ARR for the year 2009 – 2010.

2.10.2 The original amount of loan vis-à-vis repayment made during 2009 – 2010 as shown by WBSETCL in their application are depicted in the table below:

Sl. No.	Particulars	Amount (Rs. in Lakh)	
		Principal amount of Original Loan	Repayment made during 2009 - 2010
1	Bonds (11.50%)	22272	8320
2	Bond (12%)	5331	-
3	Borrowing from PFC Limited	4904	19893
4	Borrowing from REC	67702	1696
5	Govt. of West Bengal	116167	9060
6.	Borrowing from LIC	14000	-
7.	Term loan from Banks	64000	751
	Total	294376	39720
8.	(-) Loan swapping through issue of fresh bonds	-	18300
9.	(-) Repayment relating to 2008 – 2009 to GoWB	-	4369
	Total	294376	17051



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2.10.3 In terms of the Tariff Regulations, the actual admissible amount in this regard works out as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
(a)	Repayment of Loans during the year	17051.00
(b)	1/10 th of Principal loan amount of Rs. 294376 lakh	29437.60
(c)	Maximum permissible amount of loan repayment restricted to 1/10 th of original principal loan amount.	17051.00
(d)	Depreciation admitted in APR for 2009 - 2010	11188.47
(e)	Allowable advance against depreciation (c-d)	5862.53

2.10.4 The Commission admits the amount of Rs. 5862.53 lakh in the APR 2009 – 2010 as advance against depreciation.

2.11 Interest Credit:

2.11.1 The actual loan repayment exceeded the amount of depreciation allowed in ARR for 2009 – 2010 and therefore no interest credit is involved in terms of regulation 5.5.3 of the Tariff Regulations.

2.12 Taxes payable under Provisions of Income Tax Act:

2.12.1 A provision for an amount of Rs. 1190.00 lakh was considered in the tariff order for the year 2009 – 2010. As seen from the audited accounts, the actual provision for the year was needed for an amount of Rs. 4015.33 lakh. WBSETCL did not specify the amount actually paid by it against the actual amount of provisions. It was, however, observed from the Cash Flow Statement for the concerned year certified by the auditors that there had been an outflow of cash by Rs. 2960.50 lakh towards the payment of income tax. The Commission, therefore, restricts the claim of WBSETCL upto the actual amount of income tax paid i.e., Rs. 2960.50 lakh in the APR for 2009 - 2010.



2.13 Reserve for Unforeseen Exigencies:

2.13.1 In terms of regulation 5.11 of the Tariff Regulations, generating companies and the licensees may provide and maintain a reserve up to 0.25% of the value of the gross fixed assets at the beginning of the year annually for dealing with unforeseen exigencies subject to an overall ceiling of 5% of such gross value of fixed assets. Accordingly, WBSETCL was allowed the under noted provisions in the tariff since 2006 – 2007:

Year	Order Reference	Amount (Rs. in Lakh)
2006 - 2007	Order dated 26.09.2008 in Case No. APR-5/07-08 (only relating to transmission)	537.20
2007 – 2008	Order dated 28.05.2009 in Case No. APR-10/08-09	590.51
2008 – 2009	Order dated 28.07.2010 in Case No. APR-13/09-10	789.21
2009 – 2010	Order dated 23.09.2008 in Case No. TP-36/08-09	926.00
Total		2842.92

2.13.2 It is observed that as per schedule 5 to the audited accounts, the total value of the gross block of the fixed assets at the beginning of 2009 – 2010 was Rs. 348320.16 lakh of which Rs. 28.14 lakh pertaining to SLDC and thus the amount stands Rs. 348292.02 lakh for WBSETCL other than SLDC. It has also been observed in Schedule 2 to the audited balance sheet as at 31 March 2010 that total reserve of Rs. 2921.77 lakh had so far been created under the head titled as “Reserve for Unforeseen Exigencies- WBERC”. In regard to investment of the amount of the said reserve, the position is not clear from their audited accounts as there is no investment using the proper nomenclature, excepting a mention as a note under schedule 2 to the audited balance sheet as at 31st March, 2010 that Rs. 1413.53 lakh invested in fixed deposits and reinvestment of Rs. 134.05 lakh was earned as cumulative interest on such fixed deposits. In this connection, it is worthy to mention that any interest received from the investment of reserve for unforeseen exigencies should be reinvested and should not be considered as



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other income. It is evident from schedule 15 that interest from bank on fixed deposits is Rs. 324.79 lakh and WBSETCL have stated that it includes Rs. 99.73 lakh towards interest on fixed deposits investments of reserve for unforeseen exigencies. WBSETCL is directed to initiate positive steps to invest the matching amount of the fund already appropriated under the head reserve for unforeseen exigencies in terms of tariff order of this Commission within six months from closing of the books of accounts of that particular year. However, necessary adjustments, subsequent to that in terms of Commission's order relating to APR for that year, is to be made along with fund to be appropriated in terms of tariff order for the following year under the head reserve for unforeseen exigencies. Income from such investment of reserve for unforeseen exigencies shall be transferred to reserve for unforeseen exigencies and the same is to be reinvested for the said purpose and shall be shown separately in the next application for APR.

2.13.3 As mentioned earlier, the total value of gross block of fixed assets of WBSETCL including SLDC as at the beginning of the year 2009 – 2010 was Rs. 348320.16 lakh of which Rs. 28.14 lakh was pertaining to SLDC, thus the gross block of fixed assets of WBSETCL excluding SLDC comes to Rs. 348292.02 lakh. The allowable amount of annual reserve on this amount @ 0.25% comes to Rs. 870.73 lakh. The admissible amount of reserve for unforeseen exigencies allowable for SLDC assets is Rs. 0.07 lakh (@ 0.25% of Rs. 28.14 lakh). The Commission admits the amount of Rs. 870.73 lakh in APR for 2009 – 2010 for transmission function and Rs. 0.07 lakh as SLDC function.

2.14 Return on Equity:

2.14.1 It is evident from Schedule 1 (Share Capital) that no additional equity contributed during the year 2009 – 2010 and the balance stands Rs. 110552.00 lakh. However, the balance of profit of Rs. 16039.57 lakh available for appropriation being transferred to general reserve has been considered for determination of



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closing equity base. Thus, Rs. 16039.57 lakh has been considered as actual induction of equity.

2.14.2 It is further evident from Schedule 5 (Fixed Assets) that net addition to fixed assets during the year 2009 – 2010 was Rs. 70343.97 lakh out of which Rs. 1.29 lakh is pertaining to SLDC and thus the net addition to fixed assets for WBSETCL other than SLDC comes to Rs. 70342.68 lakh.

2.14.3 The computations of the Equity Base for allowing returns following the methodology specified in Formula 1.20(a) of the Tariff Regulations and the amount of returns are shown hereunder:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Actual Equity base at the beginning of the year	
	Share Capital	110552.00
	Free Reserve	8457.41
	Total	119009.41
2.	Admissible equity base at the beginning of the year	111191.13
3.	Addition to Equity base during the year	16039.57
4.	Addition to the Fixed Assets during the year	70342.68
5.	Normative addition to Equity [30% of sl. No. (4) above]	21102.80
6.	Amount to be considered as addition during the year being lower of (3) & (5)	16039.57
7.	Admissible Equity Base at the end of year [7 = (2)+(6)]	127230.70
8.	Average admissible Equity Base [(2)+(7)/2]	119210.92
9.	Allowable return @ 15.5% on sl. No. (8) above	18477.69

2.15 SLDC Charges:

2.15.1 The SLDC charges for a provision of Rs. 2300.00 lakh towards expenditures and income per contra was kept in the tariff order. It is observed from their submission in the application of APR for 2009 – 2010 that WBSETCL has a gross expenditure on SLDC amounting to Rs. 1800.25 lakh, which includes Rs. 616.29 lakh towards provision for bad and doubtful debts. The Commission in its order in case no. APR-13/09-10 dated 26th July, 2010 did not acknowledge this amount as a claim of SLDC charge from WBPDC and did not treat it as income. Hence, Rs. 616.29 lakh is not an admissible expense of SLDC as written off bad



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debt in its books of accounts. Thus, Rs. 1183.96 lakh (Rs. 1800.25 lakh – Rs. 616.29 lakh) is considered as admissible expenses of SLDC. Moreover, as stated in paragraph 2.3, an amount of Rs. 356.06 lakh pertaining to salary and terminal expenditure for SLDC, is an admissible expenditure for SLDC. An amount of Rs. 0.01 lakh, Rs. 0.81 lakh and Rs. 0.07 lakh are also considered as admissible expenditure of SLDC on account of other finance charges, depreciation and reserve for unforeseen exigencies as mentioned in paragraph 2.8.1, 2.9.1 and 2.13.3 respectively. Summing up all those expenditures, the admissible expenditure of SLDC comes to Rs. 1540.91 lakh (Rs. 1183.96 lakh + Rs. 356.06 lakh + Rs. 0.01 lakh + Rs. 0.81 lakh + Rs. 0.07 lakh) and is admitted in the APR for 2009 – 2010. Corresponding credits on account of SLDC will be accounted appropriately on actual basis .

2.16 Write off of Deferred Revenue Expenses:

2.16.1 As projected by WBSETCL, an amount of Rs. 40.00 lakh was provided in the tariff order for the year 2009 – 2010 towards write-off of company's preliminary expenses for fees paid to company Law Board for incorporation in installments over 5 years. It had been observed by its auditors that the company changed its earlier policy of writing-off such preliminary expenses in instalments and considered to write-off the entire outstanding balance of Rs. 160.91 lakh in 2008 – 2009 in one go.

2.16.2 The Commission did not consider to allow the write-off in one go and keeps the amount of provisions of Rs. 40.00 lakh in this regard unchanged in APR 2008 – 2009. WBSETCL was advised to prefer the balance claim of Rs. 120.91 lakh equally in 3 instalments in the APR of the coming years. Accordingly, WBSETCL has claimed Rs. 40.23 lakh in the APR for 2009 – 2010 and the Commission admits the same.



2.17 Incentive for Transmission Licensee:

2.17.1 WBSETCL in their application at paragraph 3 in the brief reason for variation in the un-controllable costs has shown with computation that their availability during the year 2009 – 2010 was 99.89%. In terms of paragraph 8 of Schedule – 10 to the Tariff Regulations, WBSETCL, the transmission licensee is entitled for performance incentive to be computed using the formula provided therein. WBSETCL claimed for an amount of Rs. 97.13 lakh towards such incentive. The computation of such incentive is as follows:

$$\begin{aligned} \text{Incentive} &= \text{Annual Transmission charges for 2009-10} \times (\text{Annual availability Achieved} - \text{Target Availability}) / \text{Target Availability} \\ &= \text{Rs. 69205.51 lakh} \times (99.89 - 99.75) / 99.75 \\ &= \text{Rs. 97.13 lakh} \end{aligned}$$

The Commission admits the amount of Rs. 97.13 lakh for allowing as performance incentive.

2.18 Charges Payable for Bakreswar Transmission Systems:

2.18.1 WBSETCL is operating the associated transmission system constructed by WBPDC along with the Bakreswar Power Station. WBPDC is to recover the expenditure incurred by them relating to this transmission system from WBSETCL in instalments. The amount payable in 2009 – 2010 on this account was Rs. 3346.41 lakh comprising depreciation, interest on borrowed capital and return on equity relating the associated transmission system. An amount of Rs. 1179.43 lakh was also payable by WBSETCL to WBPDC during the year 2009 – 2010 on account of recovery of additional fixed cost of the associated transmission system of Bakreswar generating station in instalment as determined in the Commission's order dated 16.01.2009 in case no. OA-48/08-09. Those amount of Rs. 3346.41 lakh and Rs. 1179.43 lakh were provided in the tariff of



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WBSETCL for the year 2009 – 2010. Thus, an amount of Rs. 4525.84 lakh (Rs. 3346.41 lakh + Rs. 1179.43 lakh) being the charges payable to WBPDCCL is admitted in the APR of WBSETCL for the year 2009 – 2010.

2.19 Charges Payable to Eastern Regional Power Committee:

2.19.1 The amount of Rs. 14.50 lakh paid towards charges payable to Eastern Regional Power Committee (in short “ERPC”) by WBSETCL for which no provision was considered in ARR for the year 2009 – 2010, is now admitted for reimbursement through APR 2009 – 2010.

2.20 Charges payable towards ULDC:

2.20.1 The amount of Rs. 761.20 lakh paid towards charges payable for Unified Load Despatch and Communication System (in short “ULDC”) by WBSETCL for which no provision was considered in ARR for the year 2009 – 2010 but WBSETCL confirmed vide their subsequent memo no. GM(F&A)/Tariff/4B/527 dated 20 October, 2011 that the amount was actually paid to SLDC during the year 2009 – 2010 is now admitted for reimbursement through APR for 2009 – 2010.

2.21 Treatment of Other Debits:

2.21.1 It is evident from the Profit and Loss Account of WBSETCL for the year ended 31 March, 2010 that Rs. 781.15 lakh has been charged as provision for absolute investment, for which WBSETCL has preferred their claims in APR 2009 – 2010. The Commission is of the view that this is a result of normal course of business which is a part of O & M expenses and moreover a provision has been made in the books of account and not written off and hence this is not considered in APR 2009 – 2010.



2.22 Incomes from Non-Tariff Sources:

2.22.1 The incomes derived from other non-tariff sources during the year 2009 – 2010 was Rs. 827.78 lakh as per schedule 15 of audited annual accounts of WBSETCL as against Rs. 650.00 lakh considered in the tariff order for the concerned year. Out of Rs. 827.78 lakh, Rs. 57.08 lakh was pertaining to SLDC and Rs. 99.73 lakh was relating to interest on fixed deposits against reserve for unforeseen exigencies which in term of the Tariff Regulations is required to be reinvested and is to be excluded from the non-tariff income for the purpose of determination of APR. Hence Rs. 670.97 is admitted as other income in APR for 2009 – 2010.

2.23 Income of SLDC:

2.23.1 It is observed from the submission of WBSETCL that on account of SLDC, the following income has been generated during 2009 – 2010:

Sl. No.	Particulars	Amount (Rs. in lakh)
1.	Scheduling charges and SLDC charges	2215.47
2.	Apportionment of short term open access charges	58.48
3.	Apportionment of other income	57.08
	Total SLDC Income during 2009 – 2010	2331.03

2.23.2 The Commission decides to deduct the entire SLDC income amounting to Rs. 2331.03 lakh from the gross revenue requirement of WBSETCL from the APR for 2009 – 2010 while Rs. 2300.00 lakh was considered in the tariff.

2.24 Based on the analyses and admission of the adjustments under different uncontrollable factors / elements of fixed charges, the Commission now proceeds to sum up the findings as to ascertain the total amount adjustable on APR for the



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year 2009 – 2010. Such summarization is given in the statement in Annexure – 2A to this chapter.

- 2.25 It may be seen from the statement in Annexure – 2A the net amount of Annual Fixed Cost (AFC) for the year 2009 – 2010 comes at Rs. 78577.76 lakh after deductions of the amounts as specified in paragraphs 2.22 and 2.23 from the gross revenue requirement.



ANNEXURE – 2A

Amount in Rs. in Lakh

Sl. No.	HEAD OF FIXED CHARGES	As Allowed in ARR	As Admitted in APR
1	Employee Cost	8490.00	8957.25
2	Operation & Maintenance Expenses:	3053.20	3090.75
3	Interest on Capital borrowings	15967.00	16186.67
4	Interest on Bonds for employees' Terminal Benefit to	2295.00	2295.00
5	Interest on Working Capital	0.00	296.00
6	Other Finance Charges	161.00	634.89
7	Depreciation	12302.00	11188.47
8	Advance against Depreciation	7046.00	5862.53
9	Taxes under Income Tax Act	1190.00	2960.50
10	Returns on Equity	10080.00	18477.69
11	Incentive for transmission licensee	0.00	97.13
12	Reserve for Unforeseen Exigencies	926.00	870.73
13	SLDC charges	2300.00	1540.91
14	Write off Deferred Revenue Expenses	40.00	40.23
15	Charges payable to WBPDCCL for Bakreswar TPS	4525.84	4525.84
16	Charges payable to ERPC	0.00	14.50
17	Charges payable to ULDC	0.00	761.20
18	Positive adjustment for APR of 2007 - 2008	3779.47	3779.47
19	Gross Revenue Requirement (1 to 18)	72155.51	81579.76
20	Income from non-tariff sources	650.00	670.97
21	Income from SLDC charges, Scheduling and Handling charges	2300.00	2331.03
22	Aggregate Revenue Requirement (ARR) (18-19-20)	69205.51	78577.76



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 As shown at the paragraph 2.24 of the previous chapter, the re-determined amount of fixed charges of WBSETCL for the year 2009 – 2010 comes to Rs. 78577.76 lakh which may be considered as realizable revenue from operation of WBSETCL for 2009 – 2010.
- 3.2 The Commission is now to see how much revenue from operation had been earned by WBSETCL by way of transmission charges and short term open access charges with reference to its audited accounts. The figure comes as under.

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Revenue from transmission charged as per schedule 14 of audited accounts of WBSETCL	69205.51
2.	Add: Short term open access charges pertaining to WBSETCL only excluding SLDC. (Rs. 2159.00 lakh – Rs. 58.48 lakh)	2100.52
3.	Revenue realized from operation for the year 2009 – 2010	71306.03

- 3.3 As it comes out from the findings in paragraph 3.1 and 3.2 above, WBSETCL is to recover an amount of Rs. 7271.73 lakh (Rs. 78577.76 Lakh – Rs. 71306.03 Lakh) as given below:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Approved realizable revenue admitted in APR for 2009 – 2010	78577.76
2.	Actual amount of revenue from operation realized for the year 2009 – 2010 as per audited account of WBSETCL	71306.03
3.	Additional net revenue amount to be recovered for 2009 – 2010	7271.73



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- 3.4 In terms of the Tariff Regulations, the entire recoverable amount of Rs. 7271.73 lakh or a part thereof may be adjusted with the amount of Aggregate Revenue Requirement for the year 2011 – 2012 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 WBSETCL for the year 2011 – 2012 or any ensuing year or in a separate order.
- 3.5 WBSETCL is to take a note of this order.

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATED: 30.08.2012