



ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

FOR THE YEAR 2009 - 2010

IN

CASE NO: TP – 37/ 08 – 09

**IN RE THE DETERMINATION OF WHEELING
CHARGES PAYABLE TO CESC LIMITED FOR THE USE OF ITS
DISTRIBUTION SYSTEM FOR CONVEYANCE OF ELECTRICITY BY OPEN
ACCESS CUSTOMERS INCLUDING CAPTIVE GENERATING PLANTS
DURING THE FINANCIAL YEAR 2009 – 2010 UNDER SECTION 62(1)(C) OF
THE ELECTRICITY ACT, 2003 READ WITH SCHEDULE – 4 TO THE WEST
BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND
CONDITIONS OF TARIFF) REGULATIONS, 2007 AND THE WEST BENGAL
ELECTRICITY REGULATORY COMMISSION (OPEN ACCESS)
REGULATIONS, 2007.**

DATED: 17.09.2009



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of regulation 2.1.1(iv) of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007 (hereinafter referred to as the “Tariff Regulations”), the Commission is required to determine the wheeling charges payable to the distribution licensees for the use of their distribution system and associated facilities for conveyance of electricity by all open access customers including the captive generating plants. Accordingly, the West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”) proceeds to determine such wheeling charges payable to CESC Limited by such customers / system users during the year 2009 - 2010.
- 1.2 On prudent analyses and viewing the tariff application made by CESC Limited, the Commission earlier determined the Aggregate Revenue Requirement (in short “ARR”) of CESC Limited separately for each year of the second control period comprising the financial years 2008 – 2009, 2009 – 2010 and 2010 – 2011 under the Multi Year Tariff (in short “MYT”) approach. The Commission also determined the amounts recoverable through tariff by CESC Limited during the year 2008 – 2009 and 2009 – 2010 after carrying out the adjustments, as considered appropriate by the Commission, with the amounts of ARR the recoverable / refundable amount determined on Annual Performance Review (in short “APR”) in terms of the Tariff Regulations.
- 1.3 The Commission now takes up the matter relating to determination of the average unit rate of recovery of fixed charges relating to the distribution system in accordance with the principles, terms and conditions laid down in Schedule – 4 to the Commission’s referred Tariff Regulations.



CHAPTER – 2 DETERMINATION OF FIXED CHARGES RELATING TO DISTRIBUTION FUNCTION

- 2.1 CESC Limited is a distribution licensee having four generating stations i.e., Budge Budge, Titagarh, Southern and New Cossipore, with total target generation of 7756.000 MU from these generating stations during the year 2009 - 2010. The admissible fixed charges of CESC Limited under certain heads of accounts are, therefore, required to be segregated / allocated to generation and distribution functions on some rational basis. After prudent analyses of the projections made by CESC Limited and considering the allocation of expenses common for both the functions, a gross amount of Rs. 91655.00 lakh is found to be fixed charge for the distribution function of CESC Limited for the year 2009 - 2010. The detailed head-wise break-up of the referred amount is given in Annexure – 2A.
- 2.2 The amount of gross fixed charges, as shown in Annexure – 2A, is inclusive of expenses incidental to retail selling and distribution of energy. Item No. 2.1 of Schedule – 4 to the Tariff Regulations provides for deduction of such retail selling expenses and charges incidental to that from the gross amount of fixed charges attributable to distribution function before ascertaining the wheeling charges payable by the open access customers. The total of such deductible amounts come as under:

	Rs. in Lakh
i) Employees Cost	6285.00
ii) Consumption of stationery & printing	244.00
iii) Stamps and courier charges	446.00
iv) Cash collection charges	125.00
v) Call centre charges	787.00



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vi)	Interest on consumers' security deposits	4393.00
vii)	Other general charges	1559.00
viii)	Provision for bad / doubtful debts	1453.00
ix)	Allocation of central overhead	3894.00
	Total	19186.00

2.3 The amount of gross fixed charges attributable to distribution function also requires to be reduced by the part of incomes to be derived from the investments. Such deductible amount is found to be Rs. 1462.00 lakh which is included in the amount of Miscellaneous Other Incomes, i.e., Rs. 6353.00 lakh. The balance amount of Miscellaneous Other Incomes is towards recoveries of meter rentals, delayed payment surcharges and other service charges from the consumers, representing partial recovery of retail selling expenses.

2.4 Based on the foregoing analyses, the amount of fixed charges attributable to the distribution function of CESC Limited for the year 2009 - 2010 for the determination of rate of wheeling charges payable by the open access customers including the captive generating plants come as under:

		Rs. in Lakh
(a)	Gross amount of fixed charges relating to distribution function	91655.00
(b)	Less:	
	i) Expenses relating to and incidental to retail sales	19186.00
	ii) Income from investment	1462.00
	iii) Share of income from other Business	400.00
	iv) Amount withheld for non-compliance	80.00
(c)	Net admissible amount of fixed charges	70527.00



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- 2.5 The average rate of recoverable wheeling charges comes to 95.66 paise per unit (kWh) taking estimated sales of 7373.00 MU (including supply of 70.000 MU to West Bengal State Electricity Distribution Company Limited in radial mode).



ANNEXURE – 2A
HEAD WISE BREAKUP OF THE AMOUNT OF
NET FIXED CHARGES ATTRIBUTABLE TO
DISTRIBUTION FUNCTION

Sl. No.	Head of Charges	Amount (Rs. in Lakh)	Amount (Rs. in Lakh)
1	Employees Cost (including Terminal Benefits)		24787.00
2	Operation & Maintenance Expenses		
	(a) Repairs & Maintenance	11538.00	
	(b) Rent, Rates & Taxes	799.00	
	(c) Legal & Professional Charges	461.00	
	(d) Audit Fees & Expenses	33.00	
	(e) Insurance	230.00	
	(f) Other Admn. & General Charges	6343.00	19404.00
3	Interest & Finance Charges		
	(a) Interest on borrowed Capital	8701.00	
	(b) Interest on Security Deposits	4393.00	
	(c) Foreign Exchange variation	94.00	
	(d) Finance Charges	172.00	13360.00
4	Depreciation & relating charges		14916.00
5	Provision for Bad / Doubtful Debts		1453.00
6	Lease Rental		1174.00
7	Reserve for Unforeseen Exigencies		780.00
8	Taxes under Income Tax Act		1706.00
9	Returns on equity capital		14075.00
10	Gross Amount of Fixed Charges		91655.00



CHAPTER – 3 ORDER

- 3.1 The average rate of fixed charge attributable to the distribution function of CESC Limited for the year 2009 – 2010 comes to 95.66 paise per unit (kWh) as shown in the preceding chapter and the same is considered to be the rate of recoverable wheeling charges from the long term open access customers. Based on this average rate and in terms of the provisions contained in regulation 14.3.2 of the West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007 (hereinafter referred to as the “Open Access Regulations”), the Commission is fixing the rate of wheeling charges to be recovered by CESC Limited during the year 2009 – 2010 from the different categories of open access customers including captive generators for conveyance of electricity through its distribution system. The Commission, however, feels the necessity of adequately incentivising the persons sourcing energy from co-generation and generations from the non-conventional / renewable energy sources allowing them to pay @ 1/3rd (one-third) of the rate chargeable to the open access customers drawing energy from other sources.
- 3.2 Accordingly, the Commission fixes the rate of wheeling charges as under:

Category of Open Access Customers		Wheeling Charge (Paise / kWh)	
		Long-term Customers	Short-term Customers
(a)	Open Access Customers drawing energy from sources other than Co-generation and Non-conventional / Renewable energy sources.	95.66	76.53
(b)	Open Access Customers sourcing energy from Co-generation and Non-conventional / Renewable energy sources [1/3 rd of the rate under (a) above].	31.89	25.51



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3.3 In terms of the provisions contained in regulation 14.3.10 of the Open Access Regulations, the open access customers, other than those carrying the electricity generated in captive generating plant to the destination and for the extent of their own use, are to pay cross-subsidy surcharge in addition to the charges for using the distribution system of the licensees. Such cross-subsidy surcharge will be the difference between the tariff applicable for the category of the customers being allowed open access and the cost avoided (per unit) by the licensee in this regard.

3.4 The avoidable cost as computed in terms of the formula provided in regulation 14.3.10 of the Open Access Regulations in case of CESC Limited works out as under:

(a) Total Fuel and Power Purchase Variable Cost.			Rs. 161501.00 Lakh
(b) Quanta of energy pooled in the distribution system			
(i) Sent-out energy from own generation	7054.500 MU		
(ii) Purchase of Energy	1947.000 MU	9001.500 MU	
(c) Weighted average unit cost of pooled energy [(a) / (b)]			179.42 paise / kWh
(d) Distribution Loss allowed for the year			14.90%
(e) Avoidable cost will be -			

$$\frac{179.42 \text{ paise / kWh}}{(100-14.90) \times 0.01} + \text{Wheeling charges per unit applicable to the relevant open access case.}$$

$$= 210.83 \text{ paise / Kwh} + \text{Wheeling charges per unit as applicable}$$

3.5 CESC Limited will determine the avoidable cost for the concerned open access customers as per computations shown in (e) above and will recover cross-



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subsidy surcharge with reference to the tariff chargeable to the concerned customers if they opt for open access.

- 3.6 The rate of wheeling charge and cross subsidy surcharge shall be applicable from the billing month of / pertaining to April, 2009 and onwards. The adjustments, if any, for over-recovery / under-recovery for the period from 01. 04. 2009 to 31.08.2009 shall be in 5 (five) equal monthly instalments starting from the billing month of / pertaining to September, 2009 .

Sd/- 17.09.2009
(R.P.SAMADDAR)
MEMBER

Sd/- 17.09.2009
(PRITITOSH RAY)
MEMBER

Sd/- 17.09.2009
(PRASADRANJAN RAY)
CHAIRPERSON

DATE: 17.09.2009