सत्यमेव जयते

ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASES NO.:
FPPCA – 103 (I) / 21 – 22 AND
APR – 90 (I) / 21 – 22

APPLICATION FOR RELEASE OF RS. 1285 LAKHS ON ACCOUNT OF PRODUCTION/ PERFORMANCE INCENTIVE UNDER 'EMPLOYEE COST' WITHHELD BY THE COMMISSION IN THE FPPCA AND APR ORDER FOR 2019 – 20

DATE: 23.09.2022

FACTS IN BRIEF

1.0 The West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL') submitted an application vide letter dated 23.08.2022 praying for approval to release of Rs. 1285 lakhs on account of production/ performance incentive under 'Employee Cost' that has been withheld by the Commission in the FPPCA and APR Order for FY 2019 – 20 in absence of any supporting documents as required under regulation 5.9.5 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time [in short 'Tariff Regulations'].

2.0 In the application dated 23.08.2022, WBSEDCL in support of its claim has submitted a copy of their Office Order No. 1500 dated 28.09.2018 wherein a scheme named as 'Group Incentive Scheme for the employees of WBSEDCL 'has been formulated by setting a target to reduce at least 7% AT&C loss from the level of 2018 – 19 for awarding incentive to employees. It is also stated in the above-mentioned order that the incentive shall be given from the share of Company's profit achieved as a result of reduction of AT&C loss.

OBSERVATIONS OF THE COMMISSION

3.0 The Commission observes that, in terms of regulation 5.9.5 of Tariff Regulations, the Commission will not allow recovery of payment of any production incentive through tariff, except those components of wage which ensure attendance and compliance with job norms of the employees. Relevant provision of the regulation 5.9.5 is reproduced below:

> *"Performance incentive based on efficiency of operating parameters of the generating company or licensee which is applicable to the employee, if any, must be shown in a separate head in annual accounts and cannot be included under employee cost or any other head. However, the Commission will not allow such cost for production incentive payment to be recovered through tariff except those components of wage which ensures attendance and compliance with job norms of the employees. If required, a special note is to be inserted in the annual accounts or a certificate from the same auditor who has audited the annual accounts has to be furnished to show separately the expenses on head of performance or production incentive."*
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> *{Emphasis Added}*

Thus, in absence of any supporting documents showing that the incentive claim is allowable under regulation 5.9.5 of the Tariff Regulations, the Commission had withheld the claim of incentive of Rs. 1285 lakh in the FPPCA and APR Order dated 27.07.2022 for FY 2019 - 20. It was also stated

that the Commission might consider to release the amount on submission of details required under the aforesaid regulation.

4.0 Now, from the submitted Office Order No. 1500 dated 28.09.2018 of WBSEDCL, it is observed that the incentive scheme has been formulated on the efficiency of operating parameters (i.e., AT&C Loss). Further, the scheme categorically mentions that the incentive shall be given from the share of Company's profit. Thus, the proposed production/ performance incentive does not qualify as an employee cost in terms of regulation 5.9.5 of the Tariff Regulations.

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5.0 In view of the above, the Commission, in terms of regulation 5.9.5 of the Tariff Regulations, decides not to allow Rs. 1285 lakhs as Employee Cost in the FPPCA and APR Order for FY 2019 – 20.

6.0 The petition is thus disposed of.

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

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

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(MALLELA VENKATESWARA RAO)
CHAIRPERSON

Dated: 23.09.2022

Sd/-
SECRETARY