



सत्यमेव जयते



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

IN CASES NO:

**FPPCA – 69 / 14 – 15 AND
APR – 47 / 14 - 15**

**IN RE APPLICATIONS OF INDIA POWER
CORPORATION LIMITED FOR FUEL & POWER PURCHASE
COST ADJUSTMENT (FPPCA) AND ANNUAL PERFORMANCE
REVIEW (APR) FOR THE FINANCIAL YEAR 2013- 2014**

SRI SUTIRTHA BHATTACHARYA, CHAIRPERSON

SRI DURGADAS GOSWAMI, MEMBER

SRI PULAK KUMAR TEWARI, MEMBER

DATE: 27.11.2020



Certified true Copy



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of the provisions contained in the regulation 2.8.7.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended, (hereinafter referred to as the “Tariff Regulations”) and in terms of the provisions contained in regulation 2.6 of the Tariff Regulations, the generating companies or the licensees, as the case may be, are subject to Fuel and Power Purchase Cost Adjustment (in short ‘FPPCA’) and 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, FPPCA and APR aim at carrying out adjustments arising out of difference between the actual performance and projected performance under different factors / heads of accounts. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, India Power Corporation Limited (in short ‘IPCL’) submitted their application of APR to the Commission on 2nd January, 2015 for the financial year 2013 – 2014. Prior to submission of APR 2013-14, IPCL has also submitted FPPCA application for 2013-14 on 09.09.2014.
- 1.2 The instant applications of IPCL are their third application for the FPPCA and APR of the third control period (2011-12 to 2013-14). The adjustments, as were found necessary on review of the performance of the previous years, were effected while determining the amount 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 2013 – 2014 will be considered for giving effect while determining the amount of revenue recoverable through tariff of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.





Order on FPPCA and APR of IPCL for the year 2013-14

- 1.3 IPCL has submitted their applications for Fuel and Power Purchase Cost Adjustment and Annual Performance Review for 2013 – 2014 in terms of the provisions contained in the Tariff Regulations.
- 1.4 Admissible fuel and power purchase costs are to be worked out with reference to the actual quantum of energy sold to its own consumers and to other licensee(s) during the concerned adjustment period applying the formula specified in Schedule – 7A to the Tariff Regulations on the basis of normative parameters as was used in the tariff order for 2013-14 and also on the basis of regulation 5.8.1 of the Tariff Regulations. APR covers the annual fixed costs and fixed charges that are to be allowed to the licensee as per the Tariff Regulations. The Commission has taken careful note of the representations made by IPCL and 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 in the subsequent chapter.
- 1.5 The APR for the year 2013 – 2014 is the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable allowed to IPCL through the ARR of the tariff order for the year 2013 – 2014, vis-à-vis the actuals as per the audited accounts. The instant application of IPCL for the year 2013 – 2014 is being viewed in the subsequent parts of this order.
- 1.6 IPCL, a company registered under the Companies Act, 1956 submitted the applications for FPPCA and APR on behalf of DPSC Limited (in short “DPSC”) on 09.09.2014 and 02.01.2015 respectively, for ascertaining the fuel and power purchase costs and fixed cost admissible for the financial year 2013-14. The Commission, however, did not process the applications of FPPCA and APR for the year 2013 - 2014 on the ground that IPCL was not a licensee of the Commission and was not entitled to make any application for determination of FPPCA and APR on behalf of the licensee namely DPSC Limited. The Commission had already decided by an order dated 07.07.2014 that the alleged





Order on FPPCA and APR of IPCL for the year 2013-14

amalgamation of IPCL with DPSC Limited is void in terms of section 17(3) and section 17(4) of the Electricity Act, 2003.

- 1.7 IPCL filed a writ petition (W.P.22561 (W) of 2014) with Hon'ble High Court Calcutta challenging the order dated 07.07.2014 of the Commission. The Hon'ble High Court, after hearing both the sides passed an interim order on 19.09.2014 directing that all applications filed by IPCL be treated as applications filed by DPSC Limited. The Court further directed to consider the applications on the basis of assets and liabilities reflected in the Balance Sheet of IPCL pertaining to DPSC division alone.
- 1.8 The Commission filed an application (M.A.T.1959 of 2014) with Civil Appellate Jurisdiction of the High Court at Calcutta seeking stay of operation of the order dated 19.09.2014. The ground of the appeal was aimed at the fact that the Hon'ble High Court had passed the impugned order dated 19.09.2014 without quashing the order of the Commission dated 07.07.2014 which was challenged by IPCL in the writ petition (W.P.22561 (W) of 2014). The Commission also highlighted that by virtue of the interim order dated 19.09.2014 the writ petitioner had been granted relief by the Hon'ble Court to raise bills to consumers in the name of IPCL without deciding legality of the order of the Commission dated 07.07.2014.
- 1.9 The application (M.A.T.1959 of 2014) was heard in the Hon'ble Division Bench of Calcutta High Court and an order was passed directing respondents/Writ petitioner to maintain status-quo so far as charges to be collected from consumers as per the rates prevalent prior to the amalgamation. The Court also directed that the respondents/Writ petitioner can move learned single bench for early hearing on other issues.
- 1.10 The petition was heard in the single bench of Hon'ble Justice I. P. Mukherjee and an order was passed (case No.W.P.22561 (W) of 2014) on 17.08.2015 quashing





Order on FPPCA and APR of IPCL for the year 2013-14

the order of the Commission dated 07.07.2014 and the impugned letter dated 12th March 2014 read with letter dated 1st April 2014. The Commission filed an appeal petition on 08.10.2015. The petition has been admitted in Hon'ble Division Bench at Calcutta High Court on 14.03.2016 in MAT 1643 of 2015.

- 1.11 The applications submitted by IPCL on 09.09.2014 and 02.01.2015 have now been scrutinized with reference to requirements of tariff regulations and observed numerous deficiencies. The Commission made references with IPCL on different occasions for their FPPCA and APR applications and IPCL completed their submission through a number of letters dating between 28.10.2014 and 23.08.2016. The tariff applications for FPPCA and APR were admitted by the Commission on 18.11.2016 and were numbered as FPPCA-69/14-15 and APR-47 / 14-15 respectively. The admission of the FPPCA and APR applications of IPCL is, however, subject to any order passed by the Hon'ble Division Bench in High Court at Calcutta in MAT 1643 of 2015.
- 1.12 The Commission asked IPCL to publish the gist of APR and FPPCA of 2013-14 combined as prepared / approved by the Commission vide their letter no WBERC/APR-47/14-15/1386 dated 18.11.2016 on the basis of the submitted APR and FPPCA applications along with the letters of IPCL after admitting the APR and FPPCA applications in Case No APR/47/14-15 and FPPCA-69/14-15, respectively. Accordingly the combined gist of APR & FPPCA was published simultaneously in 'Ajkaal' (Bengali), 'Bartaman' (Bengali), 'Business Standard' (English) and 'Sanmarg' (Hindi) on 25.11.2016. The applications of FPPCA and APR for 2013 – 2014 were also posted in the website of IPCL. The publication invited the attention of all interested parties, stakeholders and the members of the public to the applications for FPPCA and APR for the year 2013 – 2014 of IPCL and requested for submission of suggestions and objections, if any, on the application to the Commission. The last date of submission of suggestions and

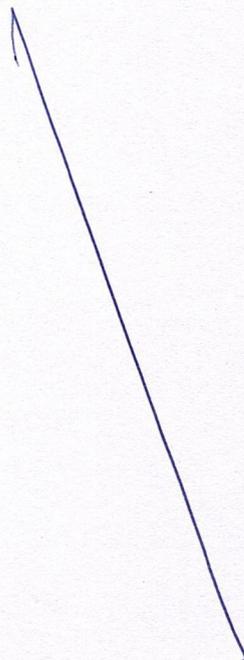




Order on FPPCA and APR of IPCL for the year 2013-14

objections was 22.12.2016 Opportunities were also afforded to all to inspect the application and take copies thereof.

- 1.13 No objection and suggestion on the applications of IPCL for FPPCA and APR in respect of the year 2013 – 2014 was received by the Commission within the stipulated time i.e. 22.12.2016.





CHAPTER – 2

COMPUTATIONS OF THE AMOUNT OF ALLOWABLE FUEL AND POWER PURCHASE COST

- 2.1 In this part of the order, the Commission takes up the determination of fuel and power purchase cost allowable to IPCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2013 – 2014.
- 2.2 The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2013 – 2014, is to be admitted in terms of the following formula as specified by the Commission in schedule 7A to the Tariff Regulations.

$$\text{"FPPC (In Rs.)} = \{FC + (PPC - C_D) + (\pm A)\}$$

Where –

- i) The adjustment period for fuel and power purchase cost will normally be on annual basis, if not otherwise decided by the Commission.
- ii) FPPC: Re-determined Fuel and Power Purchase Cost against application of FPPCA.
- iii) FC: Fuel cost of own generation as per normative parameters fixed by the Commission or on actual basis in absence of any norm and UHV range as may be allowed under regulation 5.8 commensurate with actual level of energy sales to own consumers and / or licensee during the adjustment period in accordance with the following methodology:

t = Norms of Transmission and Distribution loss in % considered for sale of power from licensee to licensee

d = Norms of distribution loss in %





Order on FPPCA and APR of IPCL for the year 2013-14

E_o = Admitted Energy for own consumption by licensee,
 E_{SL} = Energy sale to other licensee in MU
 E_{SC} = Energy sale to consumer in MU
Fuel-Cost = Fuel cost at generation bus of own generating stations = Cost determined on the basis of normative parameters of SHR and oil consumption rate against actual level of energy sent out plus normative auxiliary energy consumption.

FC_{IUC} = Per unit of Fuel Cost at distribution input
= Fuel-Cost ÷ Actual overall energy available at input of the distribution system which includes power purchase from different services.

FC_{Adm_d} = Admitted Fuel Cost for sale to licensee
= $\frac{E_{SL}}{(1 - t \times 0.01)} \times FC_{IUC}$

FC_{Adm_C} = Admitted Fuel Cost for sale to consumer
= $\frac{E_{SC} + E_o}{(1 - d \times 0.01)} \times FC_{IUC}$

FC = $FC_{Adm_d} + FC_{Adm_C}$

iv) PPC (Rs.): Total cost incurred including the cost for fuel for power purchase from different sources commensurate with actual level of energy sales during the adjustment period.

v) C_D (Rs.): Cost disallowable by the Commission as per following methods:

Let d = Norms of distribution loss in %





Order on FPPCA and APR of IPCL for the year 2013-14

t	=	Norms of Transmission and Distribution loss in % considered for sale of power from licensee to licensee
E _g	=	Actual energy sent out in MU from own generating station
E	=	Excess amount of auxiliary energy consumption in MU,
E _P	=	Total energy purchased in MU
E _O	=	Admitted Energy for own consumption by licensee
E _{SC}	=	Energy sale to consumer in MU
E _{SL}	=	Energy sale to other licensee in MU
E _{Adm}	=	Admitted amount of energy entitled for purchase
	=	$\frac{E_{SC} + E_O}{(1 - d \times 0.01)} + \frac{E_{SL}}{(1 - t \times 0.01)} - E - E_g$
E _E	=	Excess energy purchased = E _P - E _{Adm}
C _D	=	E _E X EP _{Avg}

When EP_{Avg} = Average cost of power purchase.

- vi) A: Adjustment, if any, to be made in the current period to account for any claim due to excess / shortfall in recovery of fuel and power purchase cost in the past adjustment period based on directions / orders of the Commission. (+A) shall be considered as the amount to be recovered from consumer and purchaser of electricity under the purview of the Commission when the licensee has already incurred such expenses. (-A) shall be considered as the amount to be refunded to the consumer and purchaser of electricity under the purview of the Commission because such amount of less expenses has been incurred by the licensee against any prior period adjustment.
- vii) Such re-determined fuel and power purchase cost (FPPC) of the licensee will be further adjusted for gain sharing as per Schedule – 9B for the parameters related to fuel cost to the extent it has impact in the fuel cost.”





Order on FPPCA and APR of IPCL for the year 2013-14

- 2.3 The schedule – 9B to the Tariff Regulations, contains provisions for sharing the gains derived by the licensee, if any, on account of its better performances over the operating and fuel consumption norms set by the Commission for the concerned year. The operational parameters which are to be considered for such sharing the gains accrued to the licensees are:
- i) Oil consumption rate,
 - ii) Rate of Auxiliary Consumption,
 - iii) Gross Station Heat Rate.
- 2.4 The referred schedule 9B to the Tariff Regulations also provides that in case availability of a generating station of the licensee falls below the availability norm, then the total gains meant to be passed on to the consumers under the items (i) to (iii) above, is first to be used to compensate the deficit in the recovery of the fixed charges, if any, by the licensee.
- 2.5 Before ascertaining the amount of admissible fuel and power purchase cost as well as the amount of gains to be shared with the consumers and other licensees under the provisions of the Tariff Regulations explained in earlier paragraphs, it needs to view the actual performances of IPCL in comparison to the operational and fuel efficiency norms set by the Commission in the Tariff Order for the concerned year.
- 2.6 During 2013-14 IPCL has generated power only from the 12 MW Dishergarh power plants. Total Gross generation during the year is 61.3777 MU and sent out energy is 54.1128 MU. In their submission IPCL reiterated that despite their sustained efforts to obtain Coal Linkage with CIL/ECL they failed to mature it. Thus, to run its plant IPCL purchased coal from Swayambhu Natural Resources Private Ltd. (in short 'SNRPL'), through e-auction, Tata Steel coal-rejects and Tata Steel coal-tailing during the period.





Order on FPPCA and APR of IPCL for the year 2013-14

- 2.7 Before going for procurement of coal from SNRPL and through e-auction, IPCL had sought prior in-principle clearance from the Commission. IPCL alongwith their application for approval of investment proposal for 2nd stage of 1 x 12 WM Dishergarh plant also prayed for in-principle clearance for procurement of coal from SNRPL. IPCL stated that due to non-allotment of linkage by ECL for purchase of 'F' grade coal, to maintain generation, they have to make arrangement for procurement of coal from SNRPL. The boiler design of the 12 MW plant suits lower grades of coal like 'F/G'. Commission while giving clearance to purchase coal from the SNRPL through order dated 14th February, 2013 in case No. WBERC/OA-129/11-12 stipulated that the cost of fuel purchased from SNRPL will be allowed as per provision 5.8.2 of the Tariff Regulations. IPCL further through a separate petition prayed before the Commission for in-principal clearance to purchase coal through e-auction. The Commission vide order dated 11th September 2013 in case no WBERC/OA-163/12-13 accorded clearance to purchase coal through e-auction subject to compliance of the conditions as stipulated in regulations 5.8.1 to 5.8.7 of the Tariff Regulations.
- 2.8 IPCL in their submission of APR application has stated that average 'energy charge' on the basis of actual fuel cost is 410 paise / kWh while average power purchase cost from WBSEDCL during 2013 – 2014 is 537 paise / kWh. It is further stated that cost of power from own generation is beneficial to the consumers of the licensee and accordingly conditions contained in regulation 5.8.2 of the Tariff Regulations is fulfilled. They have reiterated their inability to obtain coal linkage with ECL and accordingly requested the Commission to allow the actual fuel cost incurred during 2013-2014.
- 2.9 From the submitted coal bills it is noted that SNRPL had procured coal from ECL through e-auction and subsequently sold it to IPCL. On query, IPCL through affidavit dated 9th July 2014 submitted that a margin money of Rs 378.69 / tonne





Order on FPPCA and APR of IPCL for the year 2013-14

has been paid to SNRL by IPCL. It has been observed that cost of generation from its own plant has turned out to be beneficial to the consumers than purchasing power from outside as the cost of energy charge in former case is cheaper. However, at the same time margin money @ 10.75% is found to be on the higher side. It is also observed that in the Fuel Supply Agreement dated 10.04.2012 between DPSC (presently IPCL) and SNRPL, the amount of margin money has not been specified. Under these circumstances, the Commission finds it prudent to allow margin money equivalent to 5% of basic coal price in line with Office memorandum dated 18.10.2007 issued by Ministry of Coal, Government of India under New Coal Distribution Policy, where agencies entitled to distribute coal to small and medium consumer are allowed upto 5% margin as service charge over and above basic price charged by the coal company. Thus, the allowable margin money becomes Rs 123.10 per tonne and an amount of Rs. 78.87 lakh of margin money is disallowed as shown below:

Quantity of coal purchased from SNRPL	:30874.22 tonne
Margin money considered in the bill @ 10.75% of CIL bill	: 378.69 Rs/tonne
Margin money allowed @ 5% of basic price of coal	: 123.10 Rs/tonne
Disallowed amount	= (378.69 – 123.10) x 30874.22 Rs.
	= 7887325.68 Rs

- 2.10 IPCL in their submission stated that since norms of operating parameters for the year 2013-2014 in respect of new 1X12 MW plant has not been decided by the Commission the actual fuel cost incurred may be allowed. The Commission noticed that IPCL could not submit the required data / documents as per regulation 2.8.1.4.9 of the tariff Regulations in time to decide the norms of operating parameters. The Commission accordingly decides to allow generating costs on the basis of provisional norms set during second stage investment





Order on FPPCA and APR of IPCL for the year 2013-14

approval of the plant. During second stage investment approval of the plant, the Commission determined Station Heat Rate of 3300 Kcal / KWh, Auxiliary Consumption rate of 10% and Transit Loss of coal of 0.30% based on the documents submitted

2.11 IPCL submitted month-wise quantity of coal consumed duly certified by the auditor and statement of coal received during the year indicating month, quantity and GCV grade. IPCL submitted that, though procurement of coal through SNRPL and e-auction was made for a definite GCV range, but the actual GCV after independent analysis revealed much lower GCV. Based on the quantity and GCV grade of coal received during the whole year, IPCL computed weighted average GCV and weighted average useful heat value as 3451 kCal/kg and 1795.00 Kcal/Kg respectively in pursuance of regulation 5.8.15 of the Tariff Regulations. Commission noted that, IPCL has submitted vide their letter dated 23.08.2016 the copies of 'sale intimation letter' issued by M/s MSTC & M/s M Junction addressed to M/s Swayambhu Natural Resources Pvt. Ltd. As per those intimation letters GCV range of coal is 5501 – 5800 Kcal/Kg with mid GCV as 5650 Kcal/Kg. From the copies of the coal bills of ECL, it is seen that coal with GCV grade of 5650 Kcal/Kg was supplied. The Commission determined the weighted average heat value of coal as per regulation 5.8.1 of the Tariff Regulations, considering the 'minimum GCV of the corresponding GCV band' or 'actual GCV' as submitted in the audited certified statement, whichever is higher. However, in absence of any declared grade for 'coal rejects' and 'coal-tailings' the actual GCV obtained against such coal purchased from M/s Tata Steel has been considered. Average useful heat value (UHV) of coal received during the period is calculated as 3493.29 Kcal/Kg on application of regulation 5.8.15 of the tariff regulations. The computations in this regard are given in Annexure-2A.

2.12 Actual achievement of generation, auxiliary consumptions and station heat rate vis-à-vis the same allowed in tariff order are stated hereunder:





Order on FPPCA and APR of IPCL for the year 2013-14

SI No	Particulars	Unit	Dishergarh		Chinakuri		Total	
			As per Tariff Order	As per Actual	As per Tariff Order	As per Actual	As per Tariff Order	As per Actual
1	Gross Generation	MU	89.00	61.3777	70.00	0	159.00	61.3777
2	Auxiliary Consumption	MU	8.90	7.2649	7.00	0	15.90	7.2649
3	Rate of Auxiliary Consumption	%	10.00	11.84	10.00	0	-	-
4	Sent out Energy	MU	80.10	54.1128	63.00	0	143.10	54.1128
5	Station Heat Rate	Kcal/kWh	3300.00	3693.99*	3746.00	0	-	-

*Derived on the basis of given quanta of coal consumption and actual weighted average Heat Value of Coal as per calculation below:

$$\text{SHR (Dishergarh)} = \frac{3493.29 \times 64.904}{61.3777} = 3693.99 \text{ Kcal / kWh}$$

2.13 As may be seen from the above statement, IPCL did not succeed in making improvements in the station heat rate and in auxiliary consumption with respect to the norms considered in the tariff order for the year 2013 – 2014 and therefore is not entitled to any gain sharing for improvement in Station Heat Rate and Auxiliary consumption rate.

2.14 The norm for distribution loss of IPCL for the year 2013–2014 was considered 5.25% in the tariff order. As it comes out from the data as provided by IPCL in the instant application, the actual quanta of distribution loss experienced by it works out as under:

SI No	Particulars	Figures in Million Units
Inputs to System		
(a)	Net Sent Out Energy	54.11
(b)	Energy Purchased during the year	988.48
(c)	Delivered to the system [(c)=(a)+(b)]	1042.59
(d)	Sales to Consumers & Licensee	1011.46
(e)	Own consumption	2.99
(f)	Distribution loss [(f) = (c) - {(d) + (e)}]	28.14
(g)	Percentage of Distribution Loss [(g) = {(f)/(c) x 100}]	2.70%





Order on FPPCA and APR of IPCL for the year 2013-14

- 2.15 The allowable quantum of distribution loss (5.25%) on actual quanta of sales to consumers and WBSEDCL as well as the actual own consumption comes to 56.21 MU $[(1014.45/(1-0.0525) \times 0.0525)]$ as against actual of 28.14 MU. The savings in this regard comes to 28.07 MU (56.21 MU – 28.14 MU). As provided in paragraph C of Schedule – 9B to the Tariff Regulations, 2011 IPCL is entitled to retain the gains accruing to it in this regard.
- 2.16 The values of different factors in the FPPCA formula referred to are worked out and admitted as under:
- 2.17 **FC (FUEL COST):**
- 2.17.1 Fuel cost of own generation is to be allowed as per normative parameters fixed by the Commission, or on actual basis in absence of any norms. The fuel costs to be allowed to IPCL for the year 2013 – 2014 for its new power station at Dishergarh are based on the following fuel consumption norms as decided in paragraph 2.12 above:

Particulars	Unit	Norms
		Dishergarh
Station Heat rate	K.Cal/kWh	3300.00
Auxiliary Consumption	%	10
Transit loss of coal	%	0.30

- 2.17.2 The weighted average calorific value of coal is, however, variable on factors depending on the actual grade mix of their use in the power stations and as may be allowed under regulation 5.8.1 of the Tariff Regulations commensurate with actual level of energy sale.
- 2.17.3 IPCL submitted month-wise quantity of coal consumed duly certified by the auditor and weighted average Heat Value of the consumed coal during the whole year 2013-14. The Commission, however, admits the useful heat value of 3493.29 K.cal/Kg as decided in paragraph 2.11 of this order. Computations in detail are given in Annexure – 2A.





Order on FPPCA and APR of IPCL for the year 2013-14

2.17.4 IPCL through auditor's certificate submitted the actual consumption of coal of 64904.40 tonne at a total cost of Rs 222,169,291 showing weighted average price of coal as s Rs. 3423.02 per tonne. This includes the actual margin paid to SNRPL by IPCL. Now considering only 5% margin on basic price of coal as decided in paragraph 2.9 above Rs 7,887,325.68 is disallowed. Thus, the admitted weighted average cost of coal comes to Rs 3301.50 /tonne [= (222,169,291 – 7,887,325.68) / 64904.40] or fuel cost determination for 2013 – 2014. The price includes cost of transportation of coal.

2.17.5 The fuel cost of IPCL, considering the actual level of sent out generation and based on the above stated parameters, works out to Rs. 1880.84 lakh. Detailed computations in this regard are shown at Annexure – 2B.

2.18 PPC (POWER PURCHASE COST):

2.18.1 The actual quanta of power purchased by IPCL during 2013 – 2014 from DVC, WBSEDCL and West Bengal Green Energy Development Corporation Limited (WBGEDCL) and total cost incurred thereon came to 988.48 MU and Rs. 44440.99 lakh respectively as per the details given below:

Sources	Quantum MU	Cost incurred (Rs in lakh)
WBSEDCL	200.09	10751.64
DVC	787.66	33653.01
WBGEDCL	0.73	36.34
Total	988.48	44440.99

2.19 ALLOWABLE FUEL AND POWER PURCHASE COST:

2.19.1 The allowable amount of fuel and power purchase cost (FC+PPC), computed in terms of the formula enunciated by the Commission as referred to in paragraph 2.2 above, works out to Rs. 46372.46 lakh. The detailed computations are shown in Annexure – 2C.





Order on FPPCA and APR of IPCL for the year 2013-14

2.20 **C_D: COST DISALLOWABLE:**

2.20.1 Factor C_D, as referred to in the FPPCA formula mentioned in paragraph 2.2 above, stands for cost as to be found disallowable by the Commission. The referred formula also specified the method of ascertaining the amount of such cost disallowable. In case of IPCL, C_D comes to nil as the quantum of actual purchase remained less than the quantum of allowable purchase. The computations in this regard are shown hereunder:

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	T	Normative Transmission & Distribution loss considered for sale of power to licensee	%	5.25
2	D	Normative distribution loss for sale to consumers	%	5.25
3	E _g	Actual Energy sent out from own generating station for licensee and consumers (vide paragraph 2.12)	MU	54.11
4	E	Excess / (Savings) in the quanta of auxiliary energy consumption (vide note (1) below)	MU	1.12
5	E _P	Total energy purchased for distribution and supply to licensees (vide para 2.18.1)	MU	988.48
6	E _O	Energy for own consumption as allowed in the tariff order for 2012-13	MU	2.99
7	E _{SC}	Quanta of energy sold to consumers (vide Annexure – 2C)	MU	828.53
8	E _{SL}	Quanta of energy sold to licensee (vide Annexure – 2C)	MU	182.93
9	E _{Adm}	Admissible quantum of purchase of energy (vide note (2) below)	MU	1015.43

Note (1):

Sl. No.	Particulars	Unit	Dishergarh
1	Actual generation	MU	61.38
2	Rate of normative Auxiliary Consumption	%	10.00
3	Normative Auxiliary Consumption	MU	6.14
4	Actual Auxiliary Consumption (As per quantitative reconciliation of energy certified by Auditors)	MU	7.26
5	Excess auxiliary consumption / (Savings in auxiliary consumption) over normative auxiliary	MU	1.12





Note (2):

Admissible quantum of purchase:

$$\frac{E_{sc} + E_o}{(1 - d \times 0.01)} + \frac{E_{sl}}{(1 - T \times 0.01)} - E - E_g$$
$$\frac{828.53 + 2.990 \text{ MU}}{0.9475} + \frac{182.93 \text{ MU}}{0.9475} - 1.12 \text{ MU} - 54.11 \text{ MU}$$
$$(877.59 \text{ MU} + 193.07 \text{ MU} - 1.12 \text{ MU} - 54.11 \text{ MU})$$
$$= 1015.43 \text{ MU}$$

2.21 (+) A: PRIOR PERIOD'S ADJUSTMENTS:

2.21.1 Factor A in the referred FPPCA formula signifies the adjustment, if any, to be made in the current period to account for any excess / shortfall in the recovery of fuel and power purchase cost for the past period. IPCL did not ask for any such adjustment and no such adjustment is also found necessary. The value of this factor is, therefore, considered nil.

2.22 Computations of the aggregate allowable amount of fuel and power purchase cost:

2.22.1 The aggregate amount of fuel and power purchase cost, commensurate with the actual quantum of sale to the consumers and to the licensee (WBSEDCL), that can be allowed to IPCL works out to Rs. 46443.12 lakh with the break-up as given hereunder. The detailed computations in this regard are shown in Annexure – 2C.

SI No	Particulars/Factors	Rs. in Lakh
1	FC: Fuel cost	1931.47
2	PPC: Power purchase cost	44440.99
3	C _D : Cost disallowable	0.00
4	±A: Adjustment relating to earlier period	0.00
5	FC+(PPC-C_D)+(± A)	46372.46





2.23 Benefits for savings in Distribution Loss:

2.23.1 As referred in paragraph 2.15 above, IPCL is allowed to retain the gains accrued to it due to savings in the rate of distribution loss. Such savings in quantum came to 28.07 MU. The value of such savings at the average cost of power at the distribution bus works out as under:

Particulars	Quantum (MU)	Cost (Rs. in Lakh)
Sent out from Generation (Refer Annexure – 2B)	54.11	1880.84
Purchase (vide Paragraph 2.18.1)	988.48	44440.99
Total	1042.59	46321.83
Average rate per unit		444.30 Paise / kWh
Savings in cost of 28.07 MU (refer paragraph 2.15 above)	28.07	1247.15

2.23.2 Out of amount of Rs. 1247.15 lakh, computed above, a total amount of Rs. 50.63 lakh (Rs. 1931.47 lakh – Rs. 1880.84 lakh (Refer annexures 2C and 2B) has already been passed by way of adopting normative rate of distribution loss as denominator in computing admissible fuel cost for sale to Licensee and consumers. The balance amount of Rs. 1196.52 lakh is now being allowed.

2.24 The analyses in the chapter show that the amount of fuel cost computed on the basis of normative parameters and in terms of the specified FPPCA formula comes to Rs. 1931.47 lakh.





Order on FPPCA and APR of IPCL for the year 2013-14

- 2.25 Actual amount of power purchase cost incurred by IPCL for purchasing 988.48 MU from Damodar Valley Corporation, WBSEDCL, etc., as enumerated in paragraph 2.18.1 is Rs. 44440.99 lakh.
- 2.26 An additional amount of Rs. 1196.52 lakh is found admissible to IPCL on account of savings in the rate of distribution loss as shown in paragraph 2.15.
- 2.27 Summing up the findings as stated above, the net amount of fuel and power purchase cost allowed to IPCL for the year 2013 – 2014 comes as under:

	Rs. in Lakh
Fuel Cost (As per table below paragraph 22.1)	1931.47
Power Purchase Cost	44440.99
Additional amount on account of savings in the rate of Distribution loss	1196.52
Re-determined Fuel and Power Purchase Cost	47568.98





Order on FPPCA and APR of IPCL for the year 2013-14

ANNEXURE - 2A
COMPUTATION OF UHV OF COAL BASED
GENERATING STATION AS PER REGULATION
NO. 5.18.5 OF THE TARIFF REGULATIONS

Source	GCV Range	Quantity	Actual avg GCV as certified by Auditor	GCV admitted	Admitted GCV x Quantity	Weighted average GCV of coal	Weighted Average UHV of coal as per regulation 5.8.15 (Interpolation process)
Purchase from SNRPL	5501-5800	30847.22	4014	5501	169690557.22		
E-auction: ECL	5501-5800	7606.63	3558	5501	41844071.63		
Tata Steel: 'Coal Tailings'	not specified	3400.04	4078	4078	13864229.77		
Tata Steel: 'Coal Rejects'	not specified	19162.82	2392	2392	45844063.34		
TOTAL		61016.71			271242921.96	4445.39	3493.29





Order on FPPCA and APR of IPCL for the year 2013-14

ANNEXURE – 2B ALLOWABLE FUEL COST

Sl. No.	Particular	Unit	2013 - 2014
1	Sent out	MU	54.1128
2	Rate of Auxiliary Consumption	%	10.00
3	Auxiliary consumption	MU	6.01253
4	Generation allowed (4=(1/0.9))	MU	60.1253
5	Station Heat rate	Kcal/KWh	3300
6	Total Heat required (6=4 x 5)	M.Kcal	198413.60
7	Heat Value of Oil	Kcal/lit	0.00
8	Specific Oil Consumption rate	MI/KWh	0.00
9	Oil Consumed (9=1 x 8)	KL	0.00
10	Heat Generated from oil (7 x 9/1000)	M.Kcal	0.00
11	Heat Generated from Coal (6 - 10)	M.Kcal	198413.60
12	Heat Value of Coal	Kcal/Kg	3493.29
13	Coal required [(11/12) x1000]	MT	56798.49
14	Coal required at 0.30% Transit Loss	MT	56969.40
15	Average Price of Oil	Rs./KL	0.00
16	Average Price of coal	Rs./MT	3301.50
17	Cost of oil [(9 x 15)/100000]	Rs. In lac	0.00
18	Cost of Coal [(14x16)/100000]	Rs. In lac	1880.84
19	Total Cost of Fuel (17 + 18)	Rs. In lac	1880.84





Order on FPPCA and APR of IPCL for the year 2013-14

ANNEXURE – 2C
STATEMENT SHOWING ADMISSIBLE
FUEL AND POWER PURCHASE COST

Sl No.	Factor Notation	Nomenclature	Unit	Value
1	t	Norms of Transmission and Distribution loss considered for sale of power to licensee	%	5.25
2	d	Norms of distribution loss for sale to consumers	%	5.25
3	E _O	Admitted Energy for own consumption	MU	2.99
4	E _{SL}	Energy sale to licensee	MU	182.93
5	E _{SC}	Energy sale to consumer	MU	828.53
6	Fuel Cost	Fuel cost for generation on normative parameters (Refer Annexure – 2B)	Rs. in Lakh	1880.84
7	FC _{IUC}	Per unit Fuel Cost at distribution input [(Rs. 1950.07 lakh) / (1042.59 MU)] x 10	Paise/kWh	18.04
8	FC _{Adm_d}	Admissible Fuel Cost for sale to licensees [(182.93 MU) / (0.9475) X 18.04 Paise] / 10	Rs. in Lakh	348.29
9	FC _{Adm_C}	Admissible Fuel Cost for sale to consumer and for own consumption [(828.53 MU+2.99 MU) / (0.9475)] x 18.04 Paise / 10	Rs. in Lakh	1583.18
10	FC	Allowable fuel cost [(8) + (9)]	Rs. in Lakh	1931.47
11	PPC	Power Purchase Cost	Rs. in Lakh	44440.99
12	FC + PPC	Admissible Fuel and Power Purchase Cost [(10) + (11)]	Rs. in Lakh	46372.46



West Bengal Electricity Regulatory Commission

23

Certified true Copy



CHAPTER – 3 FIXED CHARGES

- 3.1 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.
- 3.2 The old units of Dishergarh Power Station (12.2 MW) was decommissioned on 24.11.2012 and thus was not operational during the year. The lease agreement of Chinakuri Plant was not extended by ECL beyond 31.03.2012. The Power plant remained in-operative during the whole year. The new power plant (12 MW) at Dishergarh was commissioned on 25.09.2012 and is the only plant of IPCL generated power during 2013 – 2014. The Commission, accordingly, considers expenses of the generating stations with reference to applicable provisions of tariff regulations. The review of each of the controllable and uncontrollable head of fixed charges with reference to the amount allowed through tariff and the actual based on the audited financial statement of IPCL related to DPSC Division for the year ended 31st March 2014 is being taken up hereunder one by one:
- 3.3 **Employee Cost:**
- 3.3.1 Employee Cost, being an uncontrollable cost element, is inclusive of salaries, wages, bonus, various staff welfare expenses, contribution to provident fund and other statutory funds along with terminal benefits for the employees on the regular establishment. As per form 1.17(h) of APR petition submitted by IPCL for 2013-14, total amount of Rs. 4183.44 lakh (Rs. 4102.24 lakh for own employees





Order on FPPCA and APR of IPCL for the year 2013-14

and Rs. 81.20 lakh for contractual employees) has been claimed in respect of employee cost including Directors' fees and commission of Rs. 54.00 lakh, staff training expenses of Rs. 5.35 lakh and payment of Rs. 81.20 lakh to contract labour through contractors. IPCL in their submission in Form 1.17(h) stated that the contract laborers are paid wages on the basis of man-days involved and such labours are engaged in support services which is purely a function of employees. The Commission viewed that the entire amount of Rs. 81.20 lakh towards payment to contract labour included in the total claim of IPCL for employee cost should not be classified under employee cost. The expenses incurred for contract labour through contractors is to be excluded from employee cost as nature of such expense is directly related with operation and maintenance job. As such, admissibility of the expenses on contract labours is to be viewed under operation and maintenance expenses, which have been considered separately.

3.3.2 As per form 1.17 (h) of the APR petition, employee cost also includes staff training expense amounting to Rs. 5.35 lakh. Staff training expense should not be considered as employee cost as nature of such expense is related to administrative and general expenses under Operation and Maintenance cost and same would be treated separately. A sum of Rs 29.40 lakhs has been claimed as production incentive. As per Tariff Regulation 5.9.5 such item is required to be shown in a separate head in annual accounts and the Commission will not allow such cost except those components of wage which ensures attendance and compliance with job norms of the employees. Such condition has not been met by IPCL and accordingly the same is not allowed.

3.3.3 As per financial statement of IPCL for the year ended 31st March 2014, employee benefits expense of Rs. 4129.44 lakh includes Rs. 81.20 lakh for payments to contract labour but excludes Rs. 54.00 lakh for directors' fees and commission as per note no. 29 of the notes on financial statement. The employee benefit expenses include Rs. 357.54 lakh as VRS compensation which is dealt separately in paragraph 3.3.4 of this order.





Order on FPPCA and APR of IPCL for the year 2013-14

3.3.4. As per supplementary information submitted earlier vide affidavit dt 1.8.2019 in continuation of APR petitions of 2012-13 the total VRS payout was proposed for Rs 683.57 lakh for 140 employees covering three thermal power stations, Asansol Circle Office and Kolkata office of DPSC. The details of the VRS package specifying the number of employees concerned indicating location wise VRS pay-out involvement with location wise and year wise notional savings impact for the next three years up to 2014-15 was also furnished therein. Out of the above, Commission approved a sum of Rs 509.15 lakhs as VRS payment in APR 2012-13 vide order dt. 2.12.2019. Commission now decides to admit **the** balance amount of Rs. 174.42 lakhs (Rs 683.57 lakhs -Rs 509.15 lakhs).

3.3.5 The Commission thus decides to admit the total amount of Rs. 3884.37 lakh as follows at Table 3.1a .

Table-3.1a

Sl. No	Particulars	Amount (Rs Lakhs)
1.	Employee Cost as per Annual Accounts	4129.44
2	Less: Items disallowed under Employee Cost	
a	VRS as claimed in the petition (dealt at sl e below)	(-)357.54
b	Wages for Contractual employees dealt under O&M	(-)81.20
c	Incentive disallowed vide Regulation 5.9.5	(-)29.40
d	Staff Training Expenses dealt under O&M	(-)5.35
e	Add: VRS allowed ((Total Admissible-Rs 683.57 lakhs Less admitted in APR 2012-13-Rs 509.15 lakhs)	(+)174.42
4 a	Net Own Employee Cost [Sl 1-(Sl 2 a to 2 d)+ Sl e]	3830.37
4 b	Add Directors Fees	54.00
5	Total Employee Cost admitted (4a +4b)	3884.37

3.3.6 As per submission of IPCL in form no.1.17(h) of the tariff petition giving breakup of employee cost, the cost-centre wise allowable employee cost through APR for the year 2013 – 2014 is allocated hereunder at Table-3.1 b:





Order on FPPCA and APR of IPCL for the year 2013-14

Table-3.1 b Rs. in Lakh

Particulars	Amount in Rs. lakh
1.Generation	
Dishergarh (new)	392.73
2. Distribution	3491.64
Grand Total (1+2)	3884.37

Such allocation wherever applicable hereinafter has been considered based on function wise admissible GFA / Allocation as submitted by IPCL / direct association against respective functions and admissible Net ARR and as the case may be.

3.4 Coal and Ash Handling Charges:

3.4.1 As per note 29 to the financial statement of IPCL for the year ended 31st March 2014, the actual expense towards coal and ash handling charges is Rs. 114.76 lakh and the same has been claimed for Dishergarh (new) plant in the APR petition for 2013-14.

3.4.2 Since, the coal and ash handling charges are mostly variable in nature with the quantum of generation and use of coal, the Commission views the same with reference to actual generation vis-à-vis target generation and amount admitted in the tariff order for 2013-14. The admissible amount for such expense is calculated as under at Table-3.2:

Table-3.2 Rs. In Lakh

Generating Stations	Target Generation (MU)/PLF %	Expenses as per Tariff Order of 2013-2014	Actual Generation (MU)/PLF (%)	Expenses proportionate to actual generation (MU)	Actual expense claimed	Expenses admitted in APR for 2013-2014
(1)	(2)	(3)	(4)	(5)=((3)/(2))*(4)	(6)	(7)=(Lower of (5)& (6))
Dishergarh (New)	89.00/ (84.67%)	12.91	61.38/ (54.39%)	8.90	114.76	8.90





Order on FPPCA and APR of IPCL for the year 2013-14

3.4.3 According to the above table, actual expense under this head is higher than the expense proportionate to actual generation in Dishergarh generating station. The Commission, thus, admits Rs. 8.90 lakh for Dishergarh generation station under this head of expense in APR for the year 2013-2014.

3.5 Water Charges:

IPCL has claimed a sum of Rs. 165.38 lakh in the Form E (B) of APR petition for 2013-14 towards water charges for 12X1 MW Generating Station at Dishergarh against an amount of Rs. 0.40 lakh admitted in tariff order for 2013-14. The Commission noted that no amount has been charged in the statement of Profit and Loss for the year 2013-14 in the head of Water Charges.

However, since, raw water charges are essential items of cost for generation of power and mostly variable in nature with the quantum of generation and use of water, the Commission views the same with reference to actual generation vis-a-vis target generation and amount admitted in the tariff order for 2013-14 in respect of Dishergarh (New) generating station.

3.5.1 The admissible amount for such expense is calculated as under at Table-3.3:

Table-3.3

Rs lakhs

Generating Stations	Target Generation (MU)/(PLF%)	Expenses as per Tariff Order of 2013-2014	Actual Generation (MU)/(PLF%)	Expenses proportionate to actual generation (MU)	Actual expense	Expenses admissible in APR for 2013-2014
(1)	(2)	(3)	(4)	(5) = (3)/(2)*(4)	(6)	(7) = Lower of (5) and (6)
Dishergarh (New)	89/ (84.67%)	0.40	61.38/ (54.39%)	0.28	165.38	0.28





Order on FPPCA and APR of IPCL for the year 2013-14

3.5.2 However, since, raw water charges is an item of cost for generation of power varies with the quantum of water used which is depending on the quantum of generation, the Commission views the same with reference to actual generation vis-a-vis target generation and amount admitted in the tariff order for 2013-14 in respect of Dishergarh (New) generating station.

3.6 **Interest on Capital Borrowings:**

3.6.1 IPCL has made fresh drawal of term loan of Rs. 500.00 lakh from IDBI bank for 1 x 12 MW thermal power plant project and Rs. 4734.17 lakh for miscellaneous routine capex / general corporate purpose from Ratnakar Bank during the year 2012-13. This apart, the utility has drawn term loan of 9000.00 lakh from SREI for development of 270 MW thermal power station at Raghunathpur. As per audited financial statement of IPCL for the year ended 31st March 2014, total interest cost is Rs. 3471.37 lakh (net of capitalization) and the same is shown in the APR petition for 2013-14 (Form – C) with following segregation at Table- 3.4a:

Table-3.4a

Sl. No.	Head of Expenses	Amount (Rs. in lakh)
1	Interest on Capital Borrowings	2201.54
2	Interest on Working Capital	1868.82
3	Interest on Consumers' Security Deposit	116.91
4	NCD issue expenses	52.44
5	Interest paid to others	104.11
6	LESS: Interest Capitalized	872.45
7	Total: [(Sl. 1 to Sl. 5) less (Sl. 6)]	3471.37

Interest on working capital, interest on consumers' security deposit and NCD issue expenses are discussed separately in this chapter. Interest paid to others is not admissible in absence of specific purpose of drawl of such loan.

IPCL has claimed interest on capital borrowing for a total amount of Rs. 1726.50 lakh in Form E (B) of the APR petition for 2013-14. The Commission noted that





Order on FPPCA and APR of IPCL for the year 2013-14

actual cost of fixed asset relating to 12 MW Dishergarh power plant as on 31.03.2013 is Rs. 7032.69 lakh. As per details of Asset additions during the year submitted by IPCL there is a further addition to fixed asset relating to 12 MW Power Plant to the extent of Rs.1406.49 lakh during 2013-14. The Commission accorded approval of estimated project cost of Dishergarh new unit to the extent of Rs. 6654.00 lakh during approval of investment proposal in 2nd stage in case no. WBERC/OA-129/11-12. The project cost of the power plant has not been finalized till 31.03.2014. The original cost of fixed assets of Dishergarh new unit is, thus, restricted to the cost approved by the Commission for the purpose of tariff determination at this stage. The excess capitalization beyond the cost admitted by the Commission to the extent of Rs. 1785.18 lakh (Rs.7032.69 + Rs.1406.49 lakh – Rs.6654.00 lakh) is beyond the amount approved by the Commission and hence disallowed for tariff determination. The Commission noted from the details of addition to fixed asset during the year that a sum of Rs.132.29 lakh was spent for purchase of flats at Haldia. Such addition to assets for Rs. 132.29 lakh is not related to core business of IPCL and is accordingly not considered for tariff determination of the distribution licensee.

3.6.2 The Commission further noted that a sum of Rs. 6366.76 lakh has been capitalized and added to fixed assets for construction and commissioning of JK Nagar 220/33 KV substation till 31.03.2013. Moreover, there is a further addition to assets relating to JK Nagar 220/33 KV substation for Rs. 402.23 lakh during the year 2013-14 making the total capitalized asset value to the tune of Rs.6768.99 lakh (Rs. 6366.76 lakh + Rs. 402.23 lakh). Commercial operation of the said substation has not been started as the substation could not be connected with 220 KV line of WBSETCL till 31.03.2014. The asset which is yet to be used in the service of the consumers cannot be considered for the purpose of determination of tariff. Accordingly, interest paid on the term loan drawn from South Indian Bank for the purpose of construction of JK Nagar 220/33 KV substation and Lines is not considered at this stage. From the table 3.4 b as





Order on FPPCA and APR of IPCL for the year 2013-14

below the Commission noted that there is no addition to fixed assets for the purpose of tariff determination as on 31.03.2014.

Table-3.4 b

Rs. in Lakh

Sl No	Particulars	Opening Balance		Closing Balance	
1	Gross block of Fixed assets as per Annual Accounts of 2013-14	34496.06		36513.31	
2	Less Assets Disallowed				
a	Value of additional 3 floors of building at Salt Lake (Kolkata) including the cost of air conditioning, plant and elevator	1663.36		1663.36	
b	Value of leasehold land at Salt Lake in Kolkata	308.91		308.91	
c	Value of flats at Haldia.	0.00		132.29	
d	Leasehold Land at Raghunathpur	1321.75		1321.75	
e	Fixed asset capitalized in excess of Commission approved amount for Dishergarh new plant	378.69		1785.18	
f	Value of J K Nagar 220/33 KV substation assets capitalized, not being put to use for consumers	6366.76	10039.47	6768.99	11980.48
3	Gross Value of Fixed Assets for energy business operation (Sl. 1-Sl 2 a to 2 f)	24456.59		24532.83	
4	Less: Contribution from Consumers towards Service Line and Advance from Consumers for job	1528.82		2119.68	
5	Net Cost of Fixed Assets (Sl. 3 -Sl. 4)	22927.77		22413.15	
6	Net Addition of Fixed Assets (Closing Balance -Opening Balance at Sl. 5)			(-) 514.62	

3.6.3 As per Regulation 5.4.2 of WBERC (Terms & Conditions of Tariff) Regulations, 2011 where equity employed is more than 30% of the amount of equity, it shall be limited to 30% and the balance shall be considered as normative loan capital. Servicing of such normative loan capital is allowed at weighted average rate of actual loan drawn on the average admissible net normative debt considering opening amount and closing amount to be worked out in accordance with form 1.20 b of Annex-I of WBERC tariff Regulations, 2011. Interest on normative debt is computed after adjusting cumulative normative repayment at the beginning of the year as well as current year's normative repayment of normative debt as at form 1.20 a of Annex-I of WBERC tariff Regulations, 2011. IPCL has not considered any repayment of normative debt for 2013-14 the reasons of which has not been explained. It is observed that repayment of normative debt has not taken



Certified true Copy



Order on FPPCA and APR of IPCL for the year 2013-14

place since 2008-09. In case of actual repayment of loan, WBERC Tariff Regulation ,2011 at Regulation 5.4.2 considers a repayment period of 10 years while computing Advance against Depreciation. WBERC (Terms & Conditions of Tariff) Regulations, 2007 (now repealed) at Regulation 4.5.2 also considered repayment for a period of 10 years for actual repayment of loan while computing Advance against Depreciation. Accordingly, the cumulative repayment of normative loan up to 2012-13 has been worked out considering 1/10th of opening balance of normative loan in line with actual repayment of loan before adjustment of normative repayment each year as follows at Table 3.4 c.

Table 3.4-c

Rs Lakhs

Sl. No	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1	Opening balance before adjustment of normative debt	515.04	1532.16	1790.12	2426.11	2426.11
2	Additions of normative debt	1017.12	257.96	635.99	0.00	3883.51
3	Closing balance of normative debt (1+2)	1532.16	1790.12	2426.11	2426.11	6309.62
4	Due Repayment of normative debt (1/10 th of Sl. 1)	51.50	153.22	179.01	242.61	242.61
5	Cumulative repayment of normative debt (progressive addition of sl. 4 above)	51.50	204.72	383.71	626.34	868.95

Such amount of Rs 868.95 lakhs has been adjusted from opening normative debt of 2013-14 at Sl. 2 of Table 3.4 d below. Thereafter current years repayment has been worked out considering the same principle of 1/10th annual repayment on net opening balance of Rs 5440.67 lakhs for Rs 544.07 below at Sl. 9 of Table 3.4 d.





Order on FPPCA and APR of IPCL for the year 2013-14

The amount allowable towards interest on normative loan is computed in terms of Form 1.20 (b) of WBERC Tariff Regulations ,2011 as under at Table 3.4 d:

Table 3.4 d

Sl. No	Particulars	Derivative	Amount (Rs Lakhs)
1	Opening gross normative debt (closing balance of 2012-13)	A1	6309.62
2	Less Cumulative Repayment up to previous year	A2	868.95
3	Opening Net Normative Debt	a=A1-A2	5440.67
4	Actual addition to debt for the year	b	500.00
5	Addition to the fixed assets during the year	c	(-) 514.62
6	Normative addition to debt @70% of the addition to fixed asset during the year	D=c x 0.7	0
7	Addition to debt for the year to be considered to APR	e = higher of b and d	500.00
8	Additional gross normative debt during the year	F1 = e - b	0.00
9	Repayment of normative debt during the year	F2	544.07
10	Net additional gross normative debt during the year	g = F1-F2	-544.07
11	Closing balance of net normative debt	h = a +g	4896.60
12	Average balance of net normative debt	i = (a+h)/2	5168.63
13	Weighted average rate of interest (paid on term loan during the year)	j = 12.75%	12.75%
14	Allowable Interest on normative debt allowed in APR for 2012 – 2013	k = j x i	659.00
15	Closing balance of gross normative debt	B1=A1+F1	6309.62
16	Cumulative repayment of normative debt up to the end of the year	B2=A2+F2	1413.02

3.6.4 IPCL has drawn fresh term loan of Rs. 500.00 lakh for Dishergarh new 12 MW plant with an interest rate of 12.75% per annum and Rs.4734.17.00 lakh for miscellaneous routine capex/general corporate purpose. The new Dishergarh power station (12 MW) was put to commercial operation on 25.09.2012. The J.K. Nagar 220/33KV substation was not commissioned till 31.03.2014. The Commission, thus, does not consider any interest on term loan drawn for J.K. Nagar substation for the purpose of tariff determination. The Commission considers the actual interest of Rs. 452.36 lakh on term loan for 1X12 MW Dishergarh Power Plant. The Commission does not consider interest of Rs. 4734.17 lakh on fresh loan drawn from Ratnakar Bank as the said loan was





Order on FPPCA and APR of IPCL for the year 2013-14

stated to have been drawn both for meeting routine CAPEX and working capital requirements, without any segregation and capitalization details. A sum of Rs 8.28 lakhs has been claimed by IPCL as interest on Bulldozer loan availed from Axis Bank. However, such item of Bulldozer is not part of admitted project cost of Rs 6654 lakhs in the 2nd stage as approved by the Commission. Accordingly, such item is not considered at present.

3.6.5 IPCL has also claimed Rs 1315 lakhs for interest on 10.75% secured redeemable Non-Convertible Debenture issued on 3.11.2010 for Rs 10000 lakhs, 12% secured redeemable Non-Convertible Debenture issued on 19.9.2012 for Rs 2000 lakhs which are totally secured by mortgage of immovable properties consisting of land and building at Salt Lake, Kolkata, Asansol and Gujarat. As also observed at para 2.6.2 in the order for APR 2012-13 in case no APR-41/13-14 IPCL (erstwhile DPSCL) has been utilising the NCD amount towards 12 MW Dishergarh Power Station, J K Nagar Substation, 2X270 MW Project at Raghunathpur and the balance for various substation etc. It was also observed that in case of 1 * 12 MW Dishergarh Power station a sum of Rs 4000 lakhs was availed from IDBI Bank substituting the NCD and in case of J K Nagar Substation, a sum of Rs 5000 lakhs was availed from South Indian Bank substituting the NCD. So, this was used as bridge finance during construction. Further, IPCL stated in Form-C attached to the APR petition that receipts from the issue of NCD have been used for working capital. Working capital interest is computed with a separate methodology as has been provided in WBERC Tariff regulations. So, the interest on NCD is disallowed while considering Interest on Capital borrowing. The corresponding expenditure of NCD issue expenses of Rs 52.44 lakhs is also disallowed.

3.6.6. In view of above, interest allowable comes to Rs. 1111.36 lakh (Rs. 659.00 lakh + Rs. 452.36 lakh) as mentioned in the Table 3.4 e at para 3.6.7 below and the Commission admits the same amount towards interest on capital borrowings in the APR for 2013 – 2014. Interest on normative debt of Rs. 659.00 lakh is





Order on FPPCA and APR of IPCL for the year 2013-14

allocated to Generation and distribution functions in the ratio of their cost of admissible gross fixed assets, as below:

Generation	Rs. 264.40 lakh
Distribution function	Rs. 394.60 lakh

3.6.7. The Commission thus admits interest on capital borrowing for the year 2013-14 as below at Table 3.4 e:

Table 3.4 e

Sl. No	Particulars	Amount (Rs lakhs) Generation	Amount (Rs lakhs) Distribution	Amount (Rs lakhs) Total (Generation +Distribution)
1	Interest on actual Capital borrowing	452.36		452.36
2	Interest on normative loan	264.40	394.60	659.00
3	Total interest on capital borrowings (Sl. 1+ Sl. 2)	716.76	394.60	1111.36

3.7 Interest on Working Capital:

3.7.1 An amount of Rs. 566.98 lakh was considered in tariff order for 2013-14 towards interest on working capital. In the APR petition for 2013-14 (Form – C), IPCL claimed Rs. 1868.82 lakh on this account considering the actual amount of interest paid on working capital borrowing as shown at paragraph 3.6.1 above. As per the APR petition for 2013-14 (Form – C), IPCL has utilized cash credit from Scheduled Commercial banks and non-convertible debenture of Rs. 12000.00 lakh to meet up the requirement of working capital during the year 2013-14.

3.7.2 In terms of regulation 5.6.5.1 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 10% on summation of annual fixed charges, fuel cost and power purchase cost reduced by non-cash





Order on FPPCA and APR of IPCL for the year 2013-14

expenses viz. depreciation, return on equity, bad debt written off, reserve for unforeseen exigencies, cash security deposit taken from consumers, etc. Accordingly, working capital requirement comes to Rs. 3516.99 lakh at sl. 12 of table 3.5 a below. As per regulation 5.6.5.2 of the Tariff Regulations, as amended, the admissible amount of the interest on working capital comes to Rs. 424.85 lakh at sl. 13 of table 3.5 a below considering weighted average interest of 12.08% being lower than the short-term prime lending rate of State Bank of India @ 14.75% as on 01.04.2013 applicable for this purpose as follows at Table -3.5a:

Table- 3.5 a

Sl. No.	Particulars	Amount (Rs. in lakh)	Amount (Rs. in lakh)
1	Fuel & Power Purchase Cost as admitted in paragraphs 2.17.5 and 2.18.1 without any gain.	46321.83	
2	Net Fixed Charges excluding Interest on Working Capital (Annexure 3A)	8902.92	
3	Total (1+2):		55224.75
4	Return on Equity	1338.79	
5	Depreciation	980.45	
6	Reserve for Unforeseen Exigencies	52.46	
7	Provision for Bad Debt	0.00	
8	Total (4 to 7):		2371.70
9	Balance (3 – 8)		52853.75
10	Normative requirement of Working Capital (10% of 9)		5285.38
11	Security Deposit held at the beginning of the year		1768.39
12	Requirement of working capital (Sl. 10 – Sl. 11)		3516.99
13	Interest allowable @ 12.08% on Sl. 12 above		424.85
14	Actual amount of interest on Working Capital as per Form – C		1868.82
15	Admissible amount of Interest on Working Capital for the year 2013-14 (lower of Sl. 13 and Sl. 14)		424.85





3.7.3 The Commission, thus, admits interest on working capital for an amount of Rs. 424.85 lakh in APR for 2013-14 with the allocation to generation and distribution functions on the basis of net revenue requirement excluding interest on working capital, as follows at Table 3.5-b:

Table- 3.5 b

Particulars	Amount in Rs. lakh
1.Generation: Dishergarh (new)	25.39
2.Distribution	399.46
Total: (1+2)	424.85

3.8 Interest on Consumers' Security Deposit:

3.8.1 IPCL has claimed an amount of Rs. 116.91 lakh towards interest on consumers' security deposit in APR for 2013-14 while an amount of Rs. 25.70 lakh was admitted in this respect in the tariff order for 2013-14. As per financial statement of IPCL for the year ended 31st March 2014, the balance of interest accrued but not due on consumers' security deposit as on 01.04.2013 and 31.03.2014 were Rs. 97.37 lakh and Rs. 108.69 lakh respectively.

3.8.2 According to provision under regulation 4.2.6 of the West Bengal Electricity Regulatory Commission (Miscellaneous Provisions) Regulations, 2013, interest on consumers' security deposit comes to Rs. 106.10 lakh being 6% on the balance of liabilities for consumers' security deposit of Rs. 1768.39 lakh as on 01.04.2013 as per annual report of IPCL for 2013-14. As per Annual Reports and Accounts balance of liability for Consumers' security deposit as on 31.03.2014 is Rs. 2014.80 lakh. Considering the components of interest accrued but not due and substantial increase of liability for security deposit, the Commission admits Rs. 116.91 lakh in the APR 2013 – 2014 as claimed by IPCL with allocation to distribution function only.





3.9 Other Finance Charges:

3.9.1 IPCL has claimed an amount of Rs. 52.44 lakh towards finance charges being Non-Convertible Debenture (NCD) issue expenses in Form 1.17(c) of the APR petition for 2013-14. IPCL has considered the expense in the financial statement for the year ended 31st March 2014. Such expense is incidental to the issuance of NCD interest on which has been disallowed as explained at para 3.6.5 earlier.

3.9.2 Accordingly, NCD issue expense for Rs. 52.44 lakh is not considered by the Commission. No amount is, thus, being considered under 'other finance charges' in the APR order for 2013-14.

3.10 Rent:

3.10.1 An amount of Rs. 14.99 lakh was allowed in tariff order for 2013-14 towards rents, rates and taxes for distribution function only under the head of Operation and Maintenance (O&M) Expenses and provision for rent was not separately considered for generation function in the tariff order.

3.10.2 As per audited financial statement of IPCL for the year ended 31st March 2014, an amount of Rs. 4.32 lakh was incurred towards rent and the same is attributable to distribution functions only as per submission of IPCL in Form No. E (B) of the APR petition.

3.10.3 In terms of regulations 5.7.1 and 5.7.2 of the Tariff Regulations, administrative and general expenses also include rent and lease rental charge for asset other than generating station. In view of the above, rent and lease rental for the function other than generating station will be dealt with appropriately under O&M head of expense. Since no amount has been claimed for rent in respect of any generating station, the Commission does not allow any amount on account of rent in the APR for 2013-14 for generation function.





Order on FPPCA and APR of IPCL for the year 2013-14

3.10.4 In view of above, the Commission decides to allow expenditure on rent amounting to Rs. 4.32 lakh relating to distribution function but to consider as a part of O&M expenses appropriately in subsequent paragraph.

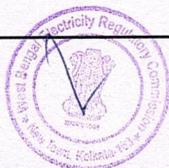
3.11 Rates & Taxes (Other than on Income & Profit):

3.11.1 No amount was separately considered towards rates and taxes (other than tax on income & profit) in the tariff order for the year 2013-14 for generation function but an amount of Rs. 14.99 lakh was allowed towards rent, rates and taxes for distribution function.

3.11.2 As per other expenses under sl. no. 29 of the notes on financial statements of IPCL for the year ended 31st March 2014, the expenditure on rates and taxes was booked for Rs. 35.06 lakh. Again, IPCL in its application for APR for 2013-14 has claimed Rs. 35.26 lakh towards license fee and petition filling fees paid during 2013-14 to the Commission and Appellate Tribunal and the same is to be included under rates and taxes. The amount of license and petition filling fees is identified from details of miscellaneous expenses submitted by IPCL duly certified by the auditor, but not categorized as rates and taxes in the audited annual report of IPCL. The Commission decides to admit Rs. 35.06 lakh along with Rs. 35.26 lakh towards rates and taxes aggregating to Rs. 70.32 lakh in APR for 2013-14 with following cost center-wise allocation at Table 3.6 below as proposed by IPCL. IPCL is, however, directed to submit henceforth the details of fees deposited to Commission and Appellate Tribunal in their APR for future years.

Table-3.6

Sl. No.	Particulars	Amount (Rs. in lakh)
1.	Generation	
	Dishergarh (New)	5.05
2.	Distribution	65.27
	Total (1+2)	70.32





Order on FPPCA and APR of IPCL for the year 2013-14

3.12 Insurance Premium:

3.12.1 As per Tariff Regulations, the expenditure towards appropriate insurance coverage has been categorized as uncontrollable. According to financial statement of IPCL for the year ended 31st March 2014, an amount of Rs. 30.41 lakh is booked against insurance premium for the year 2013-14. Though a sum of Rs. 23.80 lakh was admitted in the tariff order for 2013-14, IPCL has claimed a sum of Rs. 30.41 lakh towards payment of insurance premium for fire, motor vehicle, workmen compensation and other insurance.

3.12.2 The Commission admits their claim for insurance premium for Rs. 30.41 lakh in the APR for 2013-14 with following cost centre wise allocation at table 3.7 as proposed by IPCL.

Table-3.7

Sl. No.	Particulars	Amount (Rs. in lakh)
1.	Generation	11.11
2.	Distribution	19.30
	Total (1+2)	30.41

3.12.3. DPSCL is, however, directed to confirm in the next APR applications that the provision under regulation 5.23.1 has been complied with for the purpose.

3.13 Depreciation:

3.13.1 As per annual accounts of IPCL for 2013-14, depreciation and amortization expense are Rs. 1345.58 lakh while an amount of Rs. 1274.91 lakh was admitted in the tariff order for 2013-14 for the same. IPCL has claimed an amount of Rs. 1305.84 lakh for depreciation and amortization expenses for the year 2013-14 as per form – B of their APR petition after making adjustment of depreciation for





Order on FPPCA and APR of IPCL for the year 2013-14

assets which are not directly related with their core business. As stated in paragraph 3.6.3 of this order, addition to fixed assets for J.K. Nagar 220/33 KV substation for a total amount of Rs. 6768.96 lakh shall not be considered for tariff determination purpose as the said asset was not put to business operation till the end of the year 2013-14. Addition to fixed asset relating to 1X12 MW power plant and value of asset on purchase of flats in Haldia are also not considered to the extent as stated in paragraph 3.6.1 of this order. IPCL has taken the asset value in form – B of their APR petition and claimed depreciation for those asset additions. While considering depreciation proportionate amount has been worked out for the asset additions during the year which are disallowed taking into account the amount considered in APR 2012-13 of IPCL (erstwhile DPSC).

3.13.2 The Commission, thus, admits an amount of Rs. 980.45 lakh towards depreciation for the year 2013-14 as follows at Table 3.8 a:

Table-3.8 a

Sl. No.	Particulars	Amount (Rs Lakhs)	
1	Depreciation and amortization expenses as per books of accounts	1345.58	
2	Less Depreciation on disallowed Assets:		
a	On cost of additional 3 floors of its building at Salt Lake in Kolkata including the cost of air conditioning, plant and elevator	54.38	365.13
b	On leasehold land	5.21	
c	On Value of Flats at Haldia	4.76	
d	On excess depreciation for excess expenditure over approved amount for Dishergarh (New) generating station	67.77	
e	On 220/33 kV J. K. Nagar sub-station	233.01	
3	Depreciation admissible for 2013 – 2014 [1 – (2 a to 2 e)]	980.45	





Order on FPPCA and APR of IPCL for the year 2013-14

3.13.3 On the basis of allocation of depreciation submitted by IPCL in form No.1.12 and form 1.15 of APR petition, cost center wise allocation of depreciation and amortization expense for the year 2013-14 are as follows at Table 3.8 b:

Table- 3.8 b

Sl. No.	Particulars	Amount (Rs. in lakh)
1.	Generation	
a.	Dishergarh (New)	252.60
b.	Chinakuri	94.36
2.	Distribution	633.49
	Total (1a+1b+2)	980.45

3.14 **Reserve for Unforeseen Exigencies:**

3.14.1 In terms of regulation no. 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, IPCL was allowed undernoted provisions in the tariff order since 2006 – 2007 at Table-3.9 a below:

Table- 3.9 a

Financial Years	Order Reference	Amount (Rs. in lakh)
2006 – 2007	Order dated 15.09.2008 in Case No. APR-4/07-08	21.30
2007 – 2008	Order dated 28.05.2009 in Case No. APR-6/08-09	23.37
2008 – 2009	Order dated 26.07.2010 in Case No. APR-12/09-10	26.01
2009 – 2010	Order dated 24.08.2012 in Case No. APR-19/10-11	30.90
2010 – 2011	Order dated 26.03.2013 in Case No. APR-24/11-12	32.11
2011 – 2012	Order dated 10.09.2013 in Case No. APR-33/12-13	34.74
2012 – 2013	Order dated 14.02.2013 in Case No. TP 51/11-12	76.76
2013 – 2014	Order dated 14.02.2013 in Case No. TP 51/11-12	88.04
	Total	333.23





Order on FPPCA and APR of IPCL for the year 2013-14

3.14.2 IPCL has claimed a sum of Rs. 52.46 lakh towards reserve for unforeseen exigencies in APR for 2013-14. The value of gross fixed assets as on 01.04.2013 for core business operation comes to Rs. 31202.04 lakh as per form 1.18 submitted by IPCL. The Commission determined gross value of fixed assets as on 01.04.2013, admissible for tariff determination purpose at this stage for Rs. 24456.59 lakh at table 3.4 b of paragraph 3.6.2 of this order. So, allowable amount of reserve for unforeseen exigencies comes to Rs. 61.14 lakh, being 0.25% on value of admissible gross fixed assets of Rs. 24456.59 lakh as on 01.04.2013.

3.14.3 The Commission admits Rs. 52.46 lakh towards reserve for unforeseen exigencies at Table 3.9-b below as claimed by IPCL in APR for 2013-14 with following cost center wise allocation on the basis of admissible original value of fixed assets as on 01.04.2013.

Table 3.9-b

Sl. No.	Particulars	Amount (Rs. in lakh)
1.	Generation	20.81
2.	Distribution	31.65
	Total (1+2)	52.46

3.14.4 As per sl. no.15 of notes of the financial statement of IPCL for the year ended 31st March 2014, IPCL has invested Rs. 283.51 lakh towards reserve for unforeseen exigencies up to 2012-13, which includes reinvestment of interest for Rs. 57.30 lakh.

3.14.5 It is also observed from sl. no.15 of notes to the financial statement of IPCL for the year ended 31st March 2014 that interest accrued / received in respect of such investment fund amounting to Rs. 34.75 lakh has also been reinvested in terms of regulation 5.24.2 of the Tariff Regulations.





Order on FPPCA and APR of IPCL for the year 2013-14

3.15 Bad Debts:

3.15.1 IPCL has not charged any amount as bad debts written off in the financial statements for the year ended 31st March 2014 but claimed Rs. 291.18 lakh under this head 'Provision for doubtful debt' in APR for 2013-14. Making provisions for expenses implies that the amount has not actually been written off and accordingly not considered as per regulation 5.10.1 of the Tariff Regulations.

3.16 Tax on Income or profit under Income Tax Act:

3.16.1 IPCL claimed total amount of Rs. 1048.66 lakh for payment of tax for the financial year 2013-14. According to significant accounting policies under sl. no. 1(g) of notes on financial statement of IPCL for the year ended 31st March 2014, current tax of Rs. 1008.84 lakh is provided on taxable income in the books of accounts for the year 2012-13 as per applicable tax laws. As per financial statement of IPCL for the year ended 31st March 2014, credit entitlement of MAT of Rs. 511.35 lakh is found realizable.

3.16.2 IPCL has not furnished income tax assessment order for the assessment year 2013-14 relating to financial year 2012-13 to the Commission and order for assessment year 2014 – 2015 relating to financial year 2013 – 2014. DPSCCL has submitted a statement duly certified by the auditor indicating tax assessed, tax paid and status of assessment for the years 2006-07 to 2014 - 2015 (Annexure 2, page 131 of the petition). IPCL has paid the tax of Rs 1048.66 lakhs in the year 2013-14 as per submission made in the APR petition with the following break-up as a. Advance Tax: Rs 200 lakhs b. TDS Rs 22.60 Lakhs. self-Assessment Tax Rs 826.06 lakhs. In terms of regulation 5.13.1 of the Tariff Regulations the amount of self-assessed Income Tax as deposited for the concerned year will be allowed without the assessment order. Accordingly, Commission admits the sum of Rs 1048.66 lakhs as income tax for the year





Order on FPPCA and APR of IPCL for the year 2013-14

2013-14. The amount so admitted is allocated to generation and distribution functions in the ratio as proposed by IPCL, as below at Table 3.10:

Table-3.10

Sl. No.	Particulars	Amount (Rs. in lakh)
1	Generation	54.43
2	Distribution	994.23
3	Total (1+2)	1048.66

3.16.3 The Commission directs IPCL to furnish following documents in terms of regulation 5.13 of the Tariff Regulations while submitting APR petition for 2014 – 2015:

- i) Assessment Orders of Income Tax Authority for the years pending before the income tax authority.
- ii) Audited certificate in regard to income tax assessed and income tax paid with corresponding credit of income tax received from the assessment year up to the assessment year 2014 – 2015.

3.17 Return on Equity:

3.17.1 IPCL has claimed Rs. 2047.26 lakh towards return on equity in APR for 2013-2014. As per audited annual report of IPCL for 2013-2014, actual equity base at the beginning and end of the year 2013-2014 is calculated as follows at Table-3.11 a:

Table-3.11 a

Rs. in Lakh

Particulars	Opening Balance	Closing Balance
1. Share Capital	9737.90	9737.90
2. Free Reserve:		
a. Share Premium	0.00	0.00
b. General Reserve	170.00	170.00





Order on FPPCA and APR of IPCL for the year 2013-14

c. Profit & Loss A/c	2303.12	2473.12	4736.63	4906.63
3. Total (1+2a+2b+2c)		12211.02		14644.53
4. Less: Cost of lease hold land at corporate office including registration charges		308.91		308.91
4. Total Actual Equity Base= (3)-(4)		11902.11		14335.62
5. Net Addition to total actual equity base during the year (Closing balance at Sl. 4- Opening balance at Sl. 4)				2433.51

3.17.2 Net addition to equity base during 2013-2014 thus comes to Rs. 2433.51 lakh (i.e. Rs. 14335.62 lakh – Rs. 11902.15 lakh) and there is addition of Rs (-) 514.62 lakhs to original cost of fixed asset during the year 2013-14 as per paragraph 3.6.2 of this order.

3.17.3 Equity base for allowing returns to the licensees at the specified rate is an uncontrollable factor in terms of the Tariff Regulations. IPCL was allowed return on the projected average equity base of generation function and distribution function @ 15.50% and 16.50% respectively. The actual average equity base for the purpose of computation of return on equity during the year 2013 – 2014 comes to Rs. 9554.76 lakh as under at Table 3.11 b:

Table 3.11 b

Sl. No.	Particulars	Amount (Rs. in lakh)
1	Actual equity base at the beginning of the year (closing balance of 2012-13)	11902.15
2	Admissible equity base at the beginning of the year (closing balance of 2012-13)	9631.95
3	Actual addition to equity base during the year (from Table 11 a above)	2433.51
4	Actual equity base at the end of the year (1+3)	14335.66
5	Net Addition to the original cost of fixed assets during the year	-514.62
6	Normative addition to equity base (30% of 5)	-154.39
7	Addition to equity base considered for the year (lower of 3 and 6)	-154.39
8	Admissible equity base considered at the end of the year (2+7)	9477.56
9	Average equity base for allowing returns on equity (2 + 8) / 2	9554.76





Order on FPPCA and APR of IPCL for the year 2013-14

3.17.4 Return of equity is computed on the basis of gross value of fixed assets at the beginning and end of the year, as determined and admitted in paragraph 3.6.2 of this order, cost center wise gross value of fixed assets of IPCL as on 01.04.2013 and 31.03.2014 is segregated as under at Table 3.11 c:

Table 3.11 c

Particulars	Gross Value of Fixed Assets (Rs. in lakh)	
	As on 01.04.2013	As on 31.03.2014
Generation		
Dishergarh (New)	6654.00	6654.00
Dishergarh (Old)	0.00	0.00
Chinakuri	2441.57	2441.57
Distribution	13832.20	13317.58
Total (Generation + Distribution)	22927.77	22413.15

3.17.5 As determined in paragraph 3.6.2 of this order, there is a net addition of Rs (-) 514.62 lakhs considering addition and retirement of assets during the year. Accordingly, such net addition has been considered while computing equity base as detailed in the table 11 b at para 3.17.3.

3.17.6 As per Regulation 5.4.2 of WBERC (Terms & Conditions of Tariff) Regulations, 2011, for the purpose of determination of tariff on new capital expenditure after the notification of the abovementioned Tariff Regulations, the debt-equity ratio shall be 70: 30. Accordingly, equity base of the newly added 12 MW Dishergarh Power Station has been computed in terms of the said Tariff Regulations of WBERC. Accordingly, the equity base of 12 MW Dishergarh power Station shall be 30% of admitted GFA for the plant which comes to 1996.20 lakhs being 30% of admitted GFA of Rs 6654 lakhs. Similar regulation prescribing debt equity ratio of 70:30 was incorporated w.e.f. 1.4.2006 for new capital expenditure incurred after issuance of the said Regulations on 21.11.2005 vide Regulation 4.4.2 in the





Order on FPPCA and APR of IPCL for the year 2013-14

repealed WBERC (Terms and Conditions of Tariff) Regulation, 2005. The assets of Chinakuri Power Station of IPCL are much older and dates back prior to 1.4.2006. The assets of distribution function are available in a clubbed manner without reference to the age of the assets. Accordingly, the opening equity base in respect of Chinakuri Power Station and Distribution function in APR 2013-14 as derived from the closing equity base as on 31.3.2013 of the admitted APR 2012-13 shall remain unchanged. Based on the above, the following cost center-wise allocation of equity base and return of equity for generation and distribution functions are admitted in the APR for 2013 – 2014 at Table 3.11 d.

Table -3.11 d

Rs. in Lakh

Particulars	Admissible Equity Base of 2013-14		Average Equity Base of 2013-14	Return on equity (%)	Return admitted in APR for 2013-14
	Opening	Closing			
(1)	(2)	(3)	(4) = [(2)+(3)]/2	(5)	(6) = (4)x(5)/100
Generation					
Dishergarh (New)	1996.20	1996.20	1996.20	15.50	309.41
Chinakuri	1319.92	1319.92	1319.92	15.50	0
Distribution	6315.83	6161.44	6238.64	16.50	1029.38
Total (Generation + Distribution)	9631.95	9477.56	9554.76		1338.79

3.18 Performance Incentive:

3.18.1 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 the actual performance of IPCL on different criteria, as come out from their submission, is not found eligible for any performance incentive and IPCL also in their application for APR 2013 – 2014 did not claim any amount for the same. Thus, no performance incentive is admitted to IPCL in APR for 2013 – 2014.



Certified true Copy



Order on FPPCA and APR of IPCL for the year 2013-14

3.19 Operation & Maintenance Expenses:

3.19.1 Operation and Maintenance (O&M) expenses viz. repair and maintenance including cost of consumables, legal and professional charges, auditor fee, administrative and general expenses are categorized as controllable in terms of the Tariff Regulations.

3.19.2 The expenses under the head 'rent', 'lease rental', 'rates and taxes' and 'insurance premium' previously treated as a part of O&M expenses and controllable expenses have been considered separately in the preceding paragraphs 3.10, 3.11 and 3.12 of this chapter.

3.19.3 In view of above, the O&M expenses approved in the tariff order in regard to distribution segment is regrouped wherever necessary in terms of Regulation 2.5.5.iv of WBERC Tariff Regulations, 2011(as amended) to take a considered view in this regard. The table 12 b given below under paragraph 3.19.12 depicts the amount approved in the tariff order under the head O&M expenses vis-à-vis actual expenses (where comparison is required) thereof.

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

3.19.5 Due to non-submission of requisite information / document as per regulation 2.8.1.4.9 of the Tariff Regulations, the Commission could not decide norms of operating parameters in respect of 12 MW new unit at Dishergarh. Expenses claimed as per form E (B) of the APR petition in respect of new unit at Dishergarh are Rs. 80.13 lakh. The Commission while dealing with Tariff Order dt 14.2.2013 for 2013-14 in case no TP-51/11-12 approved O&M expenses @ Rs 6.65 lakhs per MW for Dishergarh 12 MW Power Station. Accordingly, the Commission now decides to admit the O&M expenses of 12 MW Dishergarh Power station considering the same rate of O&M @ Rs.6.65 Lakh per MW. Accordingly, O&M





Order on FPPCA and APR of IPCL for the year 2013-14

expenses for generation function as admitted in APR for 2013-14 are as under at Table 3.12 a.

Table- 3.12 a

Particulars	As admitted in APR for 2013-14
A. Capacity (MW) {Dishegarh (New)}	12 MW
B. Rate of O&M expenses (Rs Lac per MW) as per Tariff order for 2013-14	Rs.6.65 lakh
C. O&M expensed admitted [(C) = (A)X(B)]	Rs.79.80 lakh

3.19.6. O&M expenses for distribution function as considered in the tariff order vis-à-vis actual are presented in the table 12 b at paragraph 3.19.12 after necessary regrouping as per Tariff Regulations discussed in paragraph 3.19.3 above.

3.19.7 IPCL has incurred actual expenditure on repair and maintenance including consumable stores and contract labour amounting to Rs. 557.32 lakh (i.e. Rs. 351.66 lakh + Rs. 124.46 lakh + Rs. 81.20 lakh) as per the audited annual accounts for the year 2013 – 2014. The actual allocation for repairs and maintenance in tariff order is inseparable from the total allocated O&M expenses in case of generation function and hence cannot be compared one to one basis. The Commission noted that in the form 1.17(h) to the APR petition wages for contractually deployed employees for generation, distribution and central office are Rs.9.07 lakh, Rs. 36.58 lakh and Rs. 35.55 lakh respectively. IPCL has allocated the entire amount of such expenses for Rs. 81.20 lakh (Rs. 9.07 lakh + Rs. 36.58 lakh + Rs. 35.55 lakh) to employees' cost. From the submitted allocation statement of O&M cost as prepared based on energy handled (Generation-54.11: Distribution 988.47), the expenditure on repairs including consumable stores for Distribution system including the share of central office but excluding contractual wages is worked out to Rs.399.41 lakh (Repairs & Maintenance Expense for Rs.322.85 lakh + Consumable stores and spares for





Order on FPPCA and APR of IPCL for the year 2013-14

Rs.76.56 lakh) while an amount of Rs. 280.53 lakh was allowed under this head of expense in the tariff order for 2013-14 as per claim of IPCL. IPCL could not justify specific reasons for abnormal rise in expenditure on repair and maintenance, a controllable factor, for determination of tariff. During the year 2013-14 there was no major increase in the fixed asset of distribution net-work and no increase in number of consumers. The Commission, therefore, decides to admit the amount of expenses on repairs including consumable stores and payment to contract labour through contractor to the extent admitted in the tariff order for the year 2013-14 for its distribution function totaling to an amount of Rs. 280.53 lakh. All the items of other expenses except miscellaneous expenses under sl. no. 29 of the notes on financial statement of for the year ended 31st March 2014 have been considered separately. Miscellaneous expenses amounting to Rs. 1259.39 lakh under note 29 of the audited accounts are detailed in an audit certified statement as disclosed in the APR petition for 2013-14 without any segregation of the expenses between generation and distribution. On the basis of submission of IPCL in a statement of allocation of O&M cost, actual expense for other **administrative and general expenses** in respect of Generation function is worked out by IPCL to Rs.50.34 lakh. Out of the total miscellaneous expenses of Rs 1259.39 lakh as per audited financial statement, Rs 255.34 lakh is consultancy service charges, Rs. 99.79 lakh is legal charges, Rs. 35.26 lakh is licensee and petition filing fee and the balance related to other administrative and general expenses. Claim of IPCL on account of other **administrative and general expenses for distribution function** thus works out to Rs.820.48 lakh (Other A&G Expense as per Annual Accounts-Rs.1259.39 lakh – Consultancy Service Charges-Rs.255.34 lakh – Legal Expenses-Rs. 99.79 lakh – Petition filing fees and License fees-Rs.35.26 lakh – A&G for Generation function- 48.52 lakh) while an amount of Rs. 204.59 lakh was admitted by the Commission in the tariff order for 2013-14 for distribution function. Petition filing fees and Licensee fee are discussed separately under 'other finance charges' and 'rates and taxes' of the order. As per APR petition for 2013-14, **legal and**





Order on FPPCA and APR of IPCL for the year 2013-14

consultancy service charges come to Rs. 355.13 lakh (Legal Expenses-Rs. 99.79 lakh + Consultancy Service Charges -Rs. 255.34 lakh) while an amount of Rs. 59.59 lakh was admitted in the tariff order for 2013-14 under this head for distribution function. **Auditors' fee** as per annual report for 2013-14 is Rs. 17.00 lakh while an amount of Rs. 8.18 lakh was admitted in the tariff order for 2013-14. **Rent** for distribution function is considered as O&M expense but **rates and taxes** are dealt separately under paragraph 3.11. **Staff training expenses** for distribution function are claimed for Rs. 5.35 lakh in the APR for 2013-14 while an amount of Rs. 11.11 lakh was admitted in the tariff order for 2013-14 under this head for distribution function.

3.19.8 The Commission noted that other administrative and general expense of IPCL's distribution function has increased over the year at a high rate. IPCL could not furnish specific reasons for such abnormal increase in their APR petition. IPCL has submitted a separate statement giving break-up of miscellaneous expenses duly certified by auditor without any segregation of expenses between distribution and generation function. The Commission therefore decides to allow other administrative and general expenses to the extent it was allowed in the tariff order for 2013 – 2014.

3.19.9 IPCL has submitted break-up of legal and consultancy service charges certified by auditor. In Form E(B), as incorporated in their submission text such expenses have been shown under distribution head. The Commission decides to allow expenses on legal and professional services as feasible after regrouping as furnished at Table 12 b in APR 2013-14.

3.19.10 As per note 29 of the annual reports and accounts for 2013 – 2014, the auditors' fee and remuneration include Rs. 7.00 lakh audit fee and Rs. 10.00 lakh as fee for certification. The Commission noted that the licensee is required to furnish different audit certified statements to meet regulatory requirements and directives





Order on FPPCA and APR of IPCL for the year 2013-14

of the Commission. The actual expenditure and claim of Rs. 17.00 lakh is admitted by the Commission.

3.19.11 The Commission admits the expenses for staff training for Rs. 5.35 lakh as claimed by IPCL for the actual expense is lower than the amount admitted in the tariff order for 2013 – 2014.

3.19.12 Based on the above analysis, O&M expenses, being controllable in nature, are regrouped in terms of Regulation 2.5.5.iv of WBERC (Terms & Conditions of Tariff) Regulations, 2011 (as amended) and admitted for distribution function in the APR for the year 2013-14 as follows at Table 3.12 d:

Table 3.12 b

Rs. in Lakh

Sl. No.	Head of O&M Expenses (Regrouped)	As approved in Tariff Order	Actual	Amount admitted in APR under O&M Head	Remarks
1	Repairs & Maintenance including Consumable Stores & spares and payment to Contract Labours	280.53	399.41	280.53	--
2	Other Administrative & General expenses	204.59	820.48	204.59	--
3	Rent		4.32	4.32	--
4	Rates & Taxes	14.99	35.06	0.00	Treated separately
5	Legal & Professional Charges	59.59	355.13	67.20	--
6	Audit Fees	8.18	17.00	17.00	--
7	Staff Training Expense	11.11	5.35	5.35	--
	Total (Sl. 1 to Sl. 7)	578.99	1636.75	578.99	

3.20 Income from Investments:

3.20.1 An amount of Rs. 70.36 lakh was deducted from the gross amount of fixed charges towards projected income from investments and bank balances in the tariff order for 2013-14. As per notes on financial statement of for the year ended 31st March 2014 vide sl. no. 24, income from investment and deposits along with dividend income on long term investment comes to Rs. 262.12 lakh as detailed below at para 3.20.3.



Certified true Copy



Order on FPPCA and APR of IPCL for the year 2013-14

3.20.2 Again, according to sl. no. 24.1 of the notes on financial statement of for the year ended 31st March 2014, above income from investment amounting to Rs. 262.12 lakh includes the earning of Rs. 34.75 lakh from the investment of reserve for unforeseen exigencies, which is required to be included in the specific reserve fund only. Since earnings from investment of reserve for unforeseen exigencies are to be included in the specific reserve fund, any income from such investment is not considered as income from investment. The Interest income on Fixed Deposits & others for Rs 164.95 lakhs are also not considered since arising out of surplus investment of NCD.

3.20.3 As such, the Commission allows Rs. 62.42 lakh (i.e. Rs. 262.12 lakh – Rs. 34.75 – Rs 164.95 lakh) towards income from investment etc. for 2013-14 for deduction from gross allowable fixed charges with allocation to distribution function as proposed by IPCL. At Table 3.13 below:

Table-3.13

Sl. No.	Particulars	Amount in Rs. Lakh
1	Interest Income on Investment in Bonds and Securities – long term	72.02
2	Interest Income on Investment in Fixed deposits – long term	3.00
3	Interest Income on Deposits and Others	164.95
4	Dividend Income on long term Investment	1.51
5	Interest on Income Tax refund	20.64
6.	Total: (Sl. 1 to Sl. 5)	262.12
	Less	
7	Interest Income from Reserve for unforeseen exigencies	34.75
8	Interest Income on Deposits & Others	164.95
9	Admissible Income from Investments (Sl. 6- Sl. 7 - Sl. 8)	62.42





3.21 Other Miscellaneous Incomes:

3.21.1 As per audited accounts of IPCL of 2013-14, other miscellaneous incomes including rent received, other operating income, dividend income, etc. are accumulated to Rs. 653.51 lakh as detailed below at para 3.21.2.

3.21.2 The Commission allows Rs. 211.35 lakh towards other miscellaneous income for 2013-14 as below at Table -3.14 for deduction from gross allowable fixed charges with allocation to distribution function as proposed by IPCL.

Table-3.14

Sl. No.	Particulars	Amount in Rs. lakh
1	Rent received	19.77
2	Other Operating Income	619.71
3	Dividend on long term investment others	0.00
4	Profit on sale of fixed assets (net)	0.00
5	Profit on sale of investment-long term	14.03
6	Profit on sale of scrap	0.00
7	Total: (Sl. 1 to Sl. 6)	653.51
	Less	
8	Rebate on electricity Duty	14.67
9	Liability no longer required written back	413.46
10	Profit on sale of Investments-Long Terms	14.03
11	Admissible Other Miscellaneous Income – (Sl. 7 -Sl. 8-Sl 9-Sl 10)	211.35

3.22 Interest Credit:

3.22.1 As per audited financial statement for the year ended 31st March 2014, IPCL had not made any repayment of loan during the year 2013-14. So, interest credit at the rate of weighted average cost of debt in excess of depreciation over repayment of loan is being admitted in terms of regulation 5.5.3 of the Tariff Regulations by the Commission as follows at Table-3.15 a.





Order on FPPCA and APR of IPCL for the year 2013-14

Table-3.15 a Rs. in Lakh

Sl. No.	Particulars	As admitted in APR 2013-14
1	Depreciation allowed	980.45
2	Less: Loan repayment during the year 2013-14	nil
3	Excess of depreciation over loan repayment (Sl. 1 – Sl. 2)	980.45
4	Weighted average rate of interest in percent	12.75
5	Interest credit (Sl. 3 Sl. 4x100)	125.01

3.22.2 The above admitted amount of Rs. 125.01 lakh is allocated between generation and distribution function in proportion to the allocation of depreciation as under at Table 3.15-b:

Table-3.15 b

Sl. No.	Particulars	Amount (Rs. in lakh)
1.	Generation	
	Dishergarh (Old)	0.00
	Dishergarh (New)	32.21
	Chinakuri	12.03
2.	Distribution	80.77
	Total	125.01

3.23 Admissibility of recovery of Full Capacity Charges based on availability:

3.23.1 IPCL at para 4a of their main petition text has stated that they could not achieve the online communication link with SLDC till May,09 2013. They have neither confirmed that on-line monitoring display arrangement at SLDC along with dedicated audio communication had been established during the year nor furnished any certification by SLDC about the availability of the plant during the year. In the absence of such information the Commission sought to get





Order on FPPCA and APR of IPCL for the year 2013-14

confirmation of the status of such arrangement from SLDC. It has been confirmed by SLDC that the date-wise statement of **Declared Capacity/Energy scheduled** and **Actual Achieved generation** i.r.o. 12MW TG-set at DPSC (now IPCL) commenced from **10.05.2013**. In their letter dated 14th August 2020, SLDC has stated that 'SLDC has published the Date-wise Declared Capacity/Energy Scheduled and Actual Achieved Generation i.r.o. 12 MW TG set of IPCL (erstwhile DPSC Ltd.) up to December, 2019.' Thus, according to the aforesaid statements of SLDC, during 2013 - 14, the said 12 MW generating unit was under scheduling since 10th May 2013.

3.23.2 The Chinakuri power station was inoperative during the period due to expiry of the lease agreement with ECL. In the Tariff order for the year 2011-12, to 2013-14 IPCL was directed to revive lease agreement with ECL for first two units (2X10 MW) within 31.03.2013 otherwise related employee cost & O&M cost shall not be considered in the APR for 2013 – 2014. IPCL has claimed only depreciation and return on equity against Chinakuri generating station in their APR petition for 2013 – 2014. The Commission decides that shortfall of recovery of capacity charges for Chinakuri generating station will be allowed to be made on the head of depreciation only for the year 2013-14 in terms of Regulation 5.25.1 of WBERC Tariff Regulations, 2011.

3.23.3 In absence of normative PAF i.r.o. 12 MW generating unit at Dishergarh for 2013 - 14, normative PLF of 85% as specified in the MYT order dated 14.02.2013 has been considered as normative PAF for 2013 - 14 for the purpose of calculation of admitted capacity charge of Dishergarh generating station. In this respect, it is worth to mention here that normative PAF i.r.o. the said generating station for 2014 – 15 onwards, has been set as 85% in the WBERC (Terms and Conditions of Tariff) (Amendment) Regulations, 2013. In Form 1.1 submitted with the Petition for APR 2013 – 14, PAF of Dishergarh generating station has been





Order on FPPCA and APR of IPCL for the year 2013-14

furnished as 58.29%. Accordingly, recovery of capacity charge for Dishergarh generating station shall be determined on the basis of actual PAF vis-à-vis normative PAF.

3.23.4 On the basis of aforesaid observation, the Commission decides to allow the recovery of capacity charges to the extent the PAF actually achieved vis-à-vis normative PAF in respect of Dishergarh Gen Station. Accordingly, capacity charge in respect of 12 MW Dishergarh generating station is admitted for Rs. 1398.94 lakh following provisions of Regulation 6.11.4.i of Tariff Regulations, 2011 as amended disallowing capacity charges of Rs. 443.63 lakh as given at Table 3.16 below.

Table-3.16

Rs. in Lakh

Generating Station	Target PAF (%)	Actual PAF (%)	Shortfall in percentage	Capacity Charge for 2013 – 14	Admitted Capacity Charge for 2013 – 2014	Capacity charge disallowed
(1)	(2)	(3)	(4)	(5)	(6) = (5) x (0.5+35 / 85) x (58.29 / 70)	(7) = (5)-(4)
Dishergarh	85	58.29	26.71	1842.55	1398.94	443.61

3.23.5 As decided in para 3.23.2 of this order full admissible capacity charges for Chinakuri generating station is allowed during the year 2013 – 2014.

3.23.6 Since the actual PLF physically achieved in Dishergarh generating station (58.39%) is lower than the targeted PLF, no incentive in terms of paragraph no. 1 of the schedule – 10 to the Tariff Regulations is allowed.

3.24 Fixed Charges as Admitted:

3.24.1 Based on the foregoing analysis, allowable fixed charges under different heads after adjustment of other incomes in respect of Dishergarh and Chinakuri generating stations and distribution function of IPCL for the year 2013 – 2014 comes to Rs. 9327.77 lakh as shown in enclosed Annexure 3A.





Order on FPPCA and APR of IPCL for the year 2013-14

3.25 Net admissible amount of fixed charges of IPCL for the year 2013 – 2014 in respect of Dishergarh and Chinakuri generating stations as well as distribution function has been arrived at Rs. 8884.16 lakh after deducting the amount specified in paragraphs 3.23.4 above and cost centre wise allocation of admissible fixed charges are as follows at Table-3.17:

Table-3.17

Rs. in lakh

Sl. No	Description	Generation		Distribution	Total
		Dishergarh (New)	Chinakuri		
1	Net Fixed Charges (Refer Annexure -3A)	1842.55	82.33	7402.89	9327.77
2	Fixed Charges disallowed	443.61	0.00	0.00	443.61
3	Admissible Fixed Charges (1) – (2)	1398.94	82.33	7402.89	8884.16





Order on FPPCA and APR of IPCL for the year 2013-14

ANNEXURE-3A ADMITTED FIXED COST OF IPCL FOR THE YEAR 2013-14

Rs Lakhs

Sl. No.	ITEM						TOTAL
		Dishergarh (New)	Chinakuri	Generation	Distribution		
1	Employee Cost	392.73		392.73	3491.64	3884.37	
2	Water Charges	0.28	0.00	0.28	0.00	0.28	
3	Coal & Ash Handling Expenses	8.90	0.00	8.90	0.00	8.90	
4	Operation & Maintenance Expenses including consumables and payment to contract labour	79.80	0.00	79.80	578.99	658.79	
5	Interest on Capital Borrowings	716.76	0.00	716.76	394.60	1111.36	
6	Interest on Consumers' Security Deposit	0.00	0.00	0.00	116.91	116.91	
7	Interest on Working Capital	25.39		25.39	399.46	424.85	
8	Other Finance Charges	0.00	0.00	0.00	0.00	0.00	
9	Lease Rental (for generating station)	0.00	0.00	0.00	0.00	0.00	
10	Rates & Taxes (Other than on Income & Profit)	5.05	0.00	5.05	65.27	70.32	
11	Insurance Premium	11.11	0.00	11.11	19.30	30.41	
12	Depreciation	252.60	94.36	346.96	633.49	980.45	
13	Reserve for unforeseen Exigencies	18.30		18.30	34.16	52.46	
14	Bad Debts	0.00	0.00	0.00		0.00	
15	Taxes as per Income Tax Act	54.43		54.43	994.23	1048.66	
16	Return on Equity	309.41	0.00	309.41	1029.38	1338.79	
17	Gross Fixed Charges for the year (1 to 16)	1874.76	94.36	1969.12	7757.43	9726.55	
	Less: Adjustment						
18	Income from Investment	0.00	0.00	0.00	62.42	62.42	
19	Other Miscellaneous Income	0.00	0.00	0.00	211.35	211.35	
20	Interest credit	32.21	12.03	44.24	80.77	125.01	
21	Total (18 to 20)	32.21	12.03	44.24	354.54	398.78	
22	Net fixed charges (17 - 21)	1842.55	82.33	1924.88	7402.89	9327.77	
23	Capacity Charge disallowed	443.61	0.00	443.61	0.00	443.61	
24	Admissible Fixed charges (22 - 23)	1398.94	82.33	1481.27	7402.89	8884.16	





CHAPTER – 4 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

4.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges and fuel and power purchase cost, the re-determined allowable fixed charges for generation and distribution functions as well as fuel and power purchase cost of IPCL during the year 2013 – 2014 came as under at Table 4.1 of Chapter 4:

Table-4.1

Sl No	Particulars	Amount (Rs. in Lakh)			
		Generation		Distribution	Total
		Dishergarh	Chinakuri		
1	Admitted Fuel Cost excluding gain on improved distribution loss (para 2.27 of Chapter 2)	1931.47	0.00	0.00	1931.47
2	Admitted Power Purchase Cost excluding gain on improved distribution loss (para 2.27 of Chapter 2)	0.00	0.00	44440.99	44440.99
3	Additional amount on account of savings in the rate of Distribution loss	0.00	0.00	1196.52	1196.52
4	Total Fuel and Power Purchase Cost including gain on improved distribution loss (1+2+3)	1931.47	0.00	45637.51	47568.98
5	Fixed charge allowed (paragraph 3.25)	1398.94	82.33	7402.89	8884.16
6	Total (4+5)	3330.41	82.33	53040.40	56453.14

4.2 In terms of paragraph C 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 up to 2013-14 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.





Order on FPPCA and APR of IPCL for the year 2013-14

In terms of paragraph 2.23.1 of Chapter 2 of this order, IPCL saved 28.07 MU for better performance in distribution loss than the norms and they have been allowed to retain the benefit for such savings in fuel and power purchase cost amounting to Rs. 1196.52 lakh during FPPC determination for 2013 – 2014 in Chapter -2

4.3 In terms of paragraph 4.1 above, the total admitted variable and fixed cost including gain in improved distribution loss in APR for 2013 – 2014 of IPCL for sale of energy to consumers comes to Rs. 56453.14 lakh for 1011.46 MU of energy @ 558.14 paise / kWh. Units saved through reduction of distribution loss in 2013 – 2014 is 28.07 MU and therefore IPCL is allowed to retain the revenue earned i.e., Rs. 1566.70 lakh (28.07 MU x 558.14 paise/kWh) subject to adjustment of gain sharing accruing to them amounting to Rs. 1196.52 lakh as specified in paragraph 4.2 above. The net adjustment with the actual revenue realized from such savings in sale of energy to own consumers comes to Rs. 370.18 lakh (Rs. 1566.70 lakh – Rs. 1196.52 lakh).

4.4 The Commission is now to see how much sales revenue had been earned by IPCL by way of sale of power to the consumers and WBSEDCL with reference to its audited accounts. The figure comes as under at Table-4.2:

Table-4.2

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Earnings from sale of electricity as per Note 23 of the audited accounts of IPCL for the year 2013 – 2014	62232.76
2	Less: FPPCA calculated and considered as revenue as per Note 23.1(a) of the audited accounts	6.91
3	Less: Estimated Fixed cost recoverable as revenue for 2013 - 2014	340.02
4	Less: APR and FPPCA for 2010-11 and 2011-12 as per Note 23.1(b) of the audited accounts	718.34
5	Less: Certain claims recoverable from consumers pertaining to earlier years pending before the Commission as per Note 23.1(b) of the audited accounts	1206.00
6	Actual revenue realized from sale of energy to consumers and WBSEDCL [1-(2 to 5)]	59961.49





Order on FPPCA and APR of IPCL for the year 2013-14

4.5 In terms of paragraph 4.3 above, Rs. 370.18 lakh is to be adjusted against actual revenue realized from sale of energy for 2013 – 2014 amounting to Rs. 59961.49 lakh. Accordingly, the actual revenue realized by IPCL from sale of energy to own consumers and WBSEDCL comes to Rs. 59591.31 lakh (Rs. 59961.49 lakh – Rs. 370.15 lakh) and the same is allocated to different generating stations and distribution function as below at Table- 4.3:

Table-4.3 Rs. in Lakh

Particulars	Amount
Generation Function	
Dishergarh	3536.64
Chinakuri	82.33
Distribution Function	55972.34
Total	59591.31

4.6 As it comes out from the findings in paragraphs 4.1 and 4.5 above, IPCL has already realized an excess amount of Rs. 3138.17 lakh (Rs. 56453.14 Lakh – Rs. 59591.31 Lakh) with cost centre-wise breakup as given below at Table-4.4:

Table-4.4 Rs. in Lakh

Particulars	Amount Recovered from sale of power	Fuel & Power Purchase Cost as admitted at para 2.27 Of Chapter 2	Fixed Charges as admitted at para 3.25 of chapter 3	Total Recoverable as admitted	Balance recoverable (+)/ Refundable (-) as admitted
(1)	(2)	(3)	(4)	[(5) = (3)+(4)]	[(6) = (5)-(2)]
Generation Function					
Dishergarh	3536.64	1931.47	1398.94	3330.41	-206.23
Chinakuri	82.33	0.00	82.33	82.33	0.00
Distribution Function	55972.34	45637.51	7402.89	53040.40	-2931.94
Total	59591.31	47568.98	8884.16	56453.14	-3138.17





Order on FPPCA and APR of IPCL for the year 2013-14

- 4.7 In terms of regulation 2.6.6 of the Tariff Regulations, the entire amount of excess recovery of Rs. 3138.17 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2018 - 2019 or that for any other ensuing year, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of IPCL for the year 2018 - 2019 or any ensuing year.
- 4.8 IPCL 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 and to comply with the directions given in different chapters in this order. IPCL may, however, submit reconciliation statement for each head of expenses necessitating any adjustment separately.
- 4.9 The generating unit at Dishergarh was operated at a PLF of only 58.38% during 2013- 14. IPCL is directed to run the same at higher PLF in coming years by arranging adequate quantity of coal.
- 4.10 IPCL is further directed that, on expiry of three months with effect from the date of issue of this Order,
- (i) there shall be no procurement of coal other than linkage or direct e-auction from CIL without prior approval of the Commission. All existing approvals for coal procurement shall abate.
 - (ii) transparent competitive bidding should be the mode of procurement of power by the licensee and any exception shall be only with prior approval of the Commission.





Order on FPPCA and APR of IPCL for the year 2013-14

4.11 This order passed by the Commission shall be subject to any order which may be passed by the Hon'ble Division Bench in High Court at Calcutta in MAT 1643 of 2015.

4.12 IPCL is to take note of this order.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(DURGADAS GOSWAMI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

DATED: 27.11.2020

(T. K. MUKHERJEE)
SECRETARY



Certified true Copy

