



**ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

**IN CASE NO. -**

**FPPCA-124/24-25 AND**

**CASE NO. - APR-124/24-25**

FUEL COST ADJUSTMENT (FCA) AND ANNUAL PERFORMANCE REVIEW (APR) OF HIRANMAYE ENERGY LIMITED  
FOR FY 2018-19

**DATE: 03.02.2026**



## CHAPTER – 1

### PREAMBLE

- 1.1 The Regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 as amended from time to time (hereinafter referred to as the 'Tariff Regulations'), mandates that the generating companies or licensees, as the case may be, are subject to Annual Performance Review (APR). The West Bengal Electricity Regulatory Commission (Commission) vide Order dated 31.05.2021 in Case No. TP-82/19-20 determined the tariff for Hiranmaye Energy Limited (HMEL) for the Unit 1 & 2 of 3 X 150 MW Thermal Power Generating Station for FY 2018-19 and FY 2019-20. In absence of determination of final project cost, the Commission has considered proportionate amount of the project cost for the Unit 1 & 2 provisionally while determining the tariff of HMEL for FY 2018 – 19 and FY 2019-20.
- 1.2 HMEL has submitted applications on 20.06.2024 before this Commission for approval of Fuel Cost Adjustment (FCA) for FY 2018 – 19 and the APR for FY 2018 – 19 for Unit 1 & 2 of the 3 x 150 MW. The Commission has admitted the FCA and APR Petitions in Case No.: FPPCA – 124 /24 – 25 and Case No.: APR - 124 /24 – 25 on 02.07.2024 and 05.07.2024 respectively.
- 1.3 After admission of the APR and FCA Petitions, HMEL is directed to publish the gist of the APR and FCA Petitions of FY 2018 – 19 vide letter no. WBERC/APR-124/24-25/5636 dt 11.11.2024, as approved by the Commission. Accordingly, the gist is published on 15.11.2024 in 'Bartaman', 'The Statesman', 'Prabhat Khabar', and 'Aajkal' for submission of suggestions and objections by the stakeholders, if any, on the application to the Commission within 21 days from the date of publication of gist. The approved gist along with the APR and FCA Petition for FY 2018-19 has also been published on the website of HMEL. Opportunities are offered to all to inspect the application and take copies thereof. No objection and suggestion have been received from any stakeholder within the stipulated date and time.
- 1.4 Subsequently, HMEL, in continuation of the earlier petition, submitted on 17.06.2025 a Supplementary Application seeking APR for annual fixed charges for the financial year 2018-19 under Regulation 2.6 of Tariff Regulations which has been admitted by the Commission on 18.06.2025. Considering both the application dated 20.06.2024 and



17.06.2025, HMEL is again directed to publish a gist of APR and FCA Application for 2018-19 vide letter no. WBERC/APR-124/24-25/265 dt 26.06.2025. No objection and suggestion have been received from any stakeholder within the due date.

- 1.5 During the course of analysis, finding certain deficiencies, the Commission has sought clarifications/additional information from HMEL which are duly submitted by HMEL from time to time. The submissions of HMEL and Commission's analysis on APR and FCA for FY 2018-19 are detailed in the following chapters.
- 1.6 HMEL has filed an appeal before Hon'ble Appellate Tribunal for Electricity (APTEL) challenging the MYT Order dated 31.05.2021 in Appeal No. 104 of 2023 dt.16.08.2021. No stay has yet been granted by Hon'ble APTEL on the said appeal. In view of this, the Commission decides to proceed with the APR 2018-19 of HMEL following the provisions of the Tariff Regulations. However, this order is subject to any decision of the Hon'ble APTEL on the appeal preferred by HMEL.



## CHAPTER – 2

### COMPUTATION OF ALLOWABLE FUEL COST

- 2.1 In this part of the order, the Commission takes up the determination of fuel cost allowable to HMEL on the quantum of power sold to West Bengal State Electricity Distribution Company (WBSEDCL) during FY 2018-19 along with any gains arising from the performance of HMEL over the operating norms set by the Commission.
- 2.2 The FCA during the referred adjustment period, i.e., FY 2018 – 19, is to be ascertained by following the formula as enunciated by the Commission in Part-B of the Schedule - 7A of the Tariff Regulations.
- 2.3 Further, Paragraph A of Schedule 9B of the Tariff Regulations, contains provisions for sharing the gains for coal fired thermal power stations, if any, on account of its better performances over the operating norms set by the Commission. The operational parameters which are to be considered for such sharing of gains accrued to the generating stations are:
- i. Gain sharing for better Oil Consumption rate
  - ii. Gain sharing for better Auxiliary Consumption rate
  - iii. Gain sharing for better Gross Station Heat Rate (SHR)
- 2.4 The Commission in order dated 13.09.2018 in Case No OA-287/18-19 had specified the normative operating parameters for HMEL as below:

**Table 2-1: Normative parameters**

Parameters	Normative value
Plant Availability Factor (PAF)	85%
Plant Load Factor (PLF)	80%
Auxiliary Energy consumption (AEC)	10.50%
Station Heat Rate (SHR)	2477 kCal/kwh
Transit loss	0.80%
Specific Oil consumption (SOC) rate	1.00 ml/kWh
Man /MW	1.30

- 2.5 Before ascertaining the amount of admissible fuel cost as well as the amount of gains to be shared with the beneficiary (here WBSEDCL) under the provisions of Tariff Regulations explained in subsequent paragraphs, the actual performance of HMEL in comparison to



the operational norms set by the Commission needs to be reviewed and admitted accordingly. Such comparisons are made hereunder:

**Table 2-2: Normative v/s Actual Operating Parameters for FY 2018-19**

Particulars	Units	Norms	Actual	Admissible
Rate of AEC	%	10.50	10.02	10.50
SOC	MI/kWh	1.00	3.12	1.00
SHR	kCal/kWh	2477.00	2657.95	2477.00

The computations of actual rate of AEC, SOC and SHR achieved are shown in Annexure - 2A.

## 2.6 Determination of Allowable Fuel Cost

- 2.6.1.1 In terms of paragraph B of schedule -7A to the Tariff Regulations, fuel cost is to be determined for the amount of energy sold by a generating company to the licensee considering the admissible normative parameters and the principles specified in Regulation 5.8 of the tariff Regulations.

## 2.7 Generation and Auxiliary Consumption

- 2.7.1.1 Gross generation of the Station has been estimated by taking into consideration the ex-bus injection schedule certified by SLDC and the normative auxiliary consumption as below:

**Table 2-3: Normative Auxiliary Consumption**

Scheduled Injection (MU)	Normative Rate (%)	Normative AEC (MU)	Admissible Gross Generation (MU)
72.62	10.50	8.52	81.14

## 2.8 Weighted Average Heat Value and cost of Oil

- 2.8.1.1 HMEL has submitted weighted average calorific value of oil as 9028 kCal/L. HMEL submitted detailed calculation along with month-wise oil stock and sample test report in support of their claim. Average cost of oil (LDO) has been certified by the auditor as Rs.44399.00 per kL and the same has been considered.

**Table 2-4: Quantum, Price and Heat Value of oil**

Particulars	Unit	Claimed	Admitted
Quantum of oil	kL	251.99	81.14

Price of oil	Rs./kL	44399.00	44399.00
Heat value of oil	kCal/L	9028.00	9028.00

## 2.9 Permitted Transit Loss & Handling Loss of Coal

2.9.1.1 HMEL has claimed 0.80% transit loss on entire coal including imported coal. The normative transit & handling loss @ 0.80% was approved for HMEL in Case No. OA – 287/18 – 19 dated 13.09.2018 & the same has been considered by the Commission for determination of fuel cost.

## 2.10 Weighted Average Price of Coal

2.10.1.1 As per submission, HMEL has procured 68.67% of coal through E-Auction from CIL subsidiaries and balance 31.33% has been sourced through import during FY 2018-19. HMEL has submitted the actual coal price along with the break-up. HMEL also has provided details of transportation cost of both imported and E-Auction coals. The landed coal price and heat value of coal purchased during the year 2018-19 as per the submission by HMEL in its FPPCA and APR petitions are as below:

**Table 2-5: Price and GCV of Coal submitted by HMEL**

Details of coal purchased	Unit	Value
a) Quantum of coal	Tonne	62261.52
b) Price of coal	Rs. /Tonne	5112.16
c) Transportation cost	Rs. /Tonne	1977.03
d) Handling, Haulage & Terminal charges	Rs./Tonne	70.50
e) Landed price (b + c + d)	Rs. /Tonne	7159.69
f) Weighted Avg. Heat Value (As Received)	kCal/kg	3998.00

2.10.1.2 **Price of Domestic Coal procured through e-auction:** The Price of Domestic Coal procured through e-auction as submitted by HMEL is as under:

**Table 2-6: Price of Domestic e-auction Coal submitted by HMEL**

Details of coal purchased	Unit	Value
a) Quantum of coal	Tonne	42754.85
b) Price of coal	Rs. /Tonne	4922.23
c) Transportation cost (Rail +Road)	Rs. /Tonne	2280.28



d) Handling & Sampling Charges	Rs. /Tonne	102.67
e) Landed price (b + c + d)	Rs. /Tonne	7305.28

2.10.1.3 HMEL in their petition has submitted that due to non-availability of linkage coal or long-term FSA they had to rely on various auctions announced by CIL subsidiaries to run their plants. HMEL also submitted that they had participated in special forward e-auction of ECL during October 2018 which was subsequently withdrawn. They had also participated in e-auction during January 2019 where CIL cancelled all the sources except "Amrapali". Due to this, HMEL could not meet their requirement of coal during 2018-2019.

2.10.1.4 To meet the shortfall and avoid very high premium of spot e-auction, HMEL procured imported coal on short term basis as a stop gap arrangement.

2.10.1.5 The price of Imported Coal submitted by HMEL is as under:

**Table 2-7: Price of Imported Coal submitted by HMEL**

Details of coal purchased	Unit	FY 2018-19
a) Quantum of coal	Tonne	19506.67
b) Price of coal	Rs. /Tonne	5528.24
c) Transportation cost (Rail + Road)	Rs. /Tonne	1312.38
d) Landed price (b + c)	Rs. /Tonne	6840.62

2.10.1.6 HMEL through their supplementary petition dated 17.06.2025 and additional submission dated 30.12.2025 had submitted Breakup of Transportation of Coal. HMEL has claimed transportation cost of Rs. 2382.95 per tonne in case of BCCL e-auction coal and Rs 1312.38 per tonne in case of imported coal during 2018-2019.

2.10.1.7 HMEL in their additional submission dated 30.12.2025 has claimed Railway freight amounting to Rs 369.54 lakhs and also submitted bills in support to their claim. Commission decides to allow the entire amount in relation to the received coal as per their submission and corresponding Railway freight charge becomes Rs. 864.31 per tonne [ i.e Rs 369.54 lakh / 42754.85 tonne].



2.10.1.8 The Commission has observed that as per work order dated 23.12.2017, transportation charge from HDCG sliding to plant including handling and service charge was Rs 489.30 per tonne but HMEL in their petition has claimed more than 2.5 times approximately but has not provided any satisfactory justification to support their claim. In the Tariff Order of HMEL for the FY 2018-2019, the Commission directed HMEL to set up required connectivity either by conveyor or by rail upto their plant. In the tariff order of 2018-2019, Rs. 512 per tonne has been allowed under road transportation cost in case of BCCL coal and import coal for the FY 2018-2019. Due to absence of satisfactory justification, the Commission finds it suitable to allow Rs. 512 per tonne as road transportation cost for BCCL and import coal for the FY 2018-2019.

2.10.1.9 In view of the observation of the Commission in para 2.10.1.8, Commission again directs HMEL to have required connectivity either by conveyor or by rail upto their plant as road transportation is not at all a desirable activity both from economic and environmental point of view.

2.10.1.10 Below are the details of transportation cost allowed by the Commission in APR for the FY 2018-2019.

**Table 2-8: Transportation Cost for E-Auction Coal & Imported Coal considered by the Commission**

Particulars	E-auction BCCL	Imported	E-auction BCCL	Imported
	Claimed		Admitted	
Rail Freight	884.07		864.31	
Road Transportation	1396.21	1312.38	512.00	512.00
Handling, Haulage & Terminal Charges	102.67			
	2382.95	1312.38	1456.31	512.00

2.10.1.11 Based on the above, the price of domestic coal procured through e-auction and import coal considered by the Commission are as under:

**Table 2-9: Price of domestic coal procured through e-auction considered by the Commission**

Details of coal purchased	Unit	FY 2018-19	
		Claimed	Admitted
a) Quantum of coal	Tonne	42754.85	42754.85

Details of coal purchased	Unit	FY 2018-19	
		Claimed	Admitted
b) Price of coal	Rs. /Tonne	4922.33	4812.31
c) Transportation cost (Rail + Road)	Rs. /Tonne	2280.28	1376.31
d) Handling, Haulage & Terminal Charges	Rs. /Tonne	102.67	79.99
e) Landed price (b + c + d)	Rs. /Tonne	7305.28	6268.62

**Table 2-10: Price of imported coal considered by Commission**

Details of coal purchased	Unit	FY 2018-19	
		Claimed	Admitted
a) Quantum of coal	Tonne	19506.67	19506.67
b) Price of coal	Rs./Tonne	5528.24	5528.24
c) Transportation cost	Rs./Tonne	1312.38	512.00
d) Landed price (b + c)	Rs./Tonne	6840.63	6040.24

2.10.1.12 Based on the admitted price of Domestic Coal and Imported Coal the weighted average landed price of Coal admitted by the Commission for FY 2018-19 comes to Rs. 6197.06 per MT as under:

**Table 2-11: Price of Coal admitted by the Commission**

Details of coal Purchased	Unit	Claimed			Admitted		
		Domestic E-Auction Coal	Imported coal	Total	Domestic E-Auction Coal	Imported coal	Total
a) Quantum of coal	Tonne	42754.85	19506.67	62261.52	42754.85	19506.67	62261.62
b) Price of coal	Rs. /Tonne	4922.23	5528.24	5112.16	4812.31	5528.24	5036.61
c) Transportation cost	Rs. /Tonne	2280.28	1312.38	1977.03	1376.31	512.00	1105.52
d) Handling, Haulage & Terminal Charges	Rs. /Tonne	102.67	0.00	70.50	79.99	0.00	54.93
e) Landed price (a + b)	Rs. /Tonne	7305.28	6840.62	7159.69	6268.62	6040.24	6197.06

## 2.10.2 Weighted Average Heat Value of Coal

2.10.2.1 Considering the coal details submitted by HMEL in their FCA application and through subsequent documents, the Commission has observed that HMEL has claimed as received GCV of 3981 kCal/kg for E-Auction Coal and 4111 kCal/kg for Import coal. From bill of import coal, GCV on receive is found as 4200 kCal/kg. It has been observed by the Commission that the conversion from GCV to UHV as per regulation 5.8.15, is not required for imported or washed coal, which contains less ash and is ~50 mm in size and is not categorized under different grades of coal of Coal India Limited (CIL). In view of the above, the Commission has considered GCV of 4200 kCal/kg for import coal



purchased by HMEL during 2018-19. It has been observed by the Commission that HMEL has procured the imported coal through a process of negotiation rather than any competitive bidding process as per regulation 5.8.5 of the Tariff Regulations.

- 2.10.2.2 In the Tariff Order of 2018-19, due to absence of any competitive bidding based purchase, Commission has restricted the landed cost of imported coal to the landed cost per 1000 kCal of coal purchase from different e-auctions. The same principle has been followed hereunder where it is found that import coal cost/1000 Kcal is lesser than that of e-auction coal and thus admitted.

**Table 2-12: Import Coal Landed price per 1000 Kcal w.r.t that of e-auction**

Particulars	Domestic E-Auction Coal	Imported coal
Landed price	6268.62	6040.24
GCV	3981	4200
Cost /1000 Kcal	1574.63	1438.15

- 2.10.2.3 From the submissions of HMEL the Commission observed that, HMEL has submitted closing stock of 2017-18 as well as "As Received Heat Value" for the closing stock. In their submission, HMEL mentioned that due to financial hardship from the non-continuous operation of the plant, they were unable to arrange any third-party sampling and could not provide the GCV of opening stock of coal as on 01.04.2018. However, they have provided the details of coal purchased during the previous year i.e. 2017-18 and requested the Commission to consider the weighted average GCV of the purchased coal which is 3899 kCal/kg. The Commission has considered the GCV of opening stock as 3899 kCal/Kg and directs HMEL to provide GCV of the opening stock for future APR petitions. Accordingly, the admissible landed price and heat value of coal consumed during FY 2018-19 is computed below:

**Table 2-13: Coal Stock Position Table of HMEL for FY 2018-19**

Particulars	Derivatives	Admitted
<b>Stock Quantum (in MT)</b>		
Opening Stock	A	14923.89
Coal Purchase during the year	B	62261.52
Coal consumed	C	52695.71
Closing stock	D = A+B-C	24489.70
<b>Stock price (in Rs. /MT)</b>		



Price of opening stock	E	3802.78
Price of coal purchased	F	6197.06
Price of coal consumed	$G = (A \cdot E + B \cdot F) / (A + B)$	5734.12
Price of Closing Stock	$H = (A \cdot E + B \cdot F) / (A + B)$	5734.12
<b>UHV of Coal (in Kcal/Kg)</b>		
Heat value of opening stock	I	3899.00
Heat value of coal purchased	J	4049.61
Heat value of coal consumed	$K = ((A \cdot I + B \cdot J) / (A + B))$	4020.49
Heat value of Closing Stock	$L = ((A \cdot I + B \cdot J) / (A + B))$	4020.49

#### 2.10.2.4 Fuel Cost

Thus, the total fuel cost admissible for FY 2018-19 works out to Rs. 2915.27 Lakh against the claimed fuel cost of Rs. 3612.24 Lakh. Detailed Computation of the same is shown in Annexure - 2B.

#### 2.10.2.5 Admitted Energy Charge Rate

The admitted energy charge for FY 2018 – 19 vis-à-vis the energy charge admitted by the Commission during the tariff determination stage is shown in the Table below:

**Table 2-14: Fuel Cost per unit (Paise/kWh)**

Particulars	Value
Fuel cost per unit as per Tariff order	369.14
Fuel cost per unit as allowed in FCA	401.44

#### 2.10.3 C<sub>D</sub>: Cost Disallowable

The factor C<sub>D</sub> as referred to in the formula in paragraph B of Schedule 7A of Tariff Regulations, stands for cost as to be found disallowable by the Commission as having been incurred in breach of economic generation or of order/direction of the Commission if any, or for any other reason considered sufficient by the Commission during the adjustment period and adjusted corresponding to actual level of sales. As the unit rates of energy charges from the generating stations have been worked out based on normative parameters, no further disallowance is required on this account.

#### 2.10.4 Gains on account of better performance over operating norms

2.10.4.1 As discussed in Table 2.2, actual performance of generating plant of HMEL relating to SOC & SHR was not better than the norms. AEC is only better than the norms specified in the Tariff Regulations. Accordingly, gains arriving out of such improved performance are required to be shared with beneficiary subject to the conditions stipulated in Paragraph D of Schedule 9B of the Tariff Regulations. Gain due to improved auxiliary consumption is as shown in the Table below:

**Table 2-15: Gain due to improved auxiliary consumption**

Particulars	Unit	Value
Normative Auxiliary Consumption	%	10.50%
Actual Auxiliary Consumption	%	10.02%
Category		Category C
Sharing Ratio as per Sl. No. 1 of Category C		50%: 50%
Normative Auxiliary Consumption	MU	8.52
Actual Auxiliary Consumption	MU	8.09
Savings in Auxiliary Consumption	MU	0.43
Cost of Generation	Rs./kWh	3.59
Gain	Rs. Lakh	15.44
Share % of WBSEDCL	%	50%
Share of WBSEDCL	Rs. Lakh	7.72

2.10.4.2 The share of WBSEDCL out of total gain on account of improved auxiliary energy consumption is Rs. 7.72 Lakhs.

2.10.4.3 Now, in terms of Paragraph D of Schedule 9B of the Tariff Regulations, in case of availability of a generating company falls below the availability norm, then total gains meant to be passed on to consumers, which shall represent the sum of the sharable gains under paragraph A to paragraph D, shall be used first to compensate the deficit in fixed charge recovery of the concerned generating company, and only thereafter the balance, if any shall be passed on to consumers.

2.10.4.4 The deficit in fixed charge recovery for HMEL comes out to Rs. 9464.38 lakhs. Accordingly, the share of gains of WBSEDCL is compensated with the deficit in fixed charge recovery of the respective generating stations in terms of Paragraph D of Schedule 9B of the Tariff Regulations.



**Table 2-16: Gain sharing**

Particulars	Amount in Rs Lakh
Deficit in Fixed Charge Recovery	9464.38
Sharable Gain to beneficiary (Table 2.15)	7.72
Balance Gain	nil

- 2.11 Summing up the findings as explained in the earlier paragraphs, the amount of admissible fuel cost of HMEL for FY 2018-19, net of sharing of gains due to improved performance as discussed aforesaid is shown in the table below:

**Table 2-17: Fuel cost admitted by the Commission after necessary adjustments**

Particulars	Unit	Admitted
Admissible Cost of Fuel considering Normative Parameters (Para 2.10.2.4)	Rs. Lakh	2915.27
Cost disallowed (Para 2.10.3)	Rs. Lakh	-
Less: Sharing of Gains with WBSEDCL (Table 2-15)	Rs. Lakh	-
<b>Fuel Cost</b>	<b>Rs. Lakh</b>	<b>2915.27</b>

- 2.12 HMEL submitted that the Tariff Order for FY 2018-19 was issued on 31.05.2021, i.e. after expiry of FY 2018-19 and the recovery of Energy Charge of FY 2018-19 was based on approved rate vide order dated 29.08.2018 in case no PPA-88/18-19. Hence, HMEL has recovered energy charges based on the rate of 272 paise/kWh which was approved in the Case Number PPA-88/18-19. Thus, revenue from energy charges realized by HMEL during FY 2018-19 was of Rs. 1975.32 Lakh.
- 2.13 Summing up the findings as explained in the earlier paragraphs, the amount of Fuel and Power Purchase Cost Adjustment (FPPCA) of HMEL for the year 2018-19 is now determined based on the FPPCA formula specified in paragraph B of Schedule -7A of the Tariff Regulations considering admissible fuel cost of HMEL for FY 2018-19, net of sharing of gains due to improved performance vis-à-vis the fuel cost recovered during the year is shown in the table below:

**Table 2-18: Fuel Cost Adjustment for 2018-19 (Rs. Lakh)**

Particulars	Unit	Admitted
Total Admitted Fuel Cost	FC	2915.27
Power Purchase Cost for pumping energy of PSP	PPC	Not applicable
Less: Cost disallowed	C <sub>D</sub>	0.00
Adjustment, if any	A	0.00
Fuel cost recovered through sale to the purchaser	fc	1975.32





Power purchase cost allowed in Tariff order for pump- ing energy	ppc	Not applicable
FPPCA	$\{FC + (PPC - CD) \pm A\}$ $- (fc + ppc)$	939.95

- 2.14 The admitted fuel cost has been considered by the Commission while approving the APR of HMEI for FY 2018-19 in the next chapter of the order.



## Annexure 2A

**COMPUTATION OF ACTUAL STATION HEAT RATE ACHIEVED IN FY 2018-19**

Sl. No.	Particulars	Unit	Value
1	Gross Generation (Actual)	MU	80.71
2	Consumption of Oil (Actual)	KL	251.99
3	Consumption of Coal (Actual)	MT	52695.71
4	GCV of Oil (Actual)	kcal/lit	10558.00
5	Heat Value of Coal (Actual)	kcal/kg	4020.49
6	Heat from Oil (2X4/1000)	M. kcal	2660.51
7	Heat from Coal (3X5/1000)	M. kcal	211862.58
8	Total Heat Used (6+7)	M. kcal	214523.09
9	Station Heat Rate Achieved (8/1)	kcal/kWh	2657.95
10	Normative Station Heat Rate	kcal/kWh	2477.15

**COMPUTATION OF ACTUAL AUXILIARY CONSUMPTION ACHIEVED IN FY 2018-19**

Actual Gross Generation (MU)	Actual Sent Out Generation (MU)	Auxiliary Consumption (MU)	Actual Auxiliary Consumption	Normative Auxiliary Consumption
80.71	72.62	8.09	10.02%	10.50%

**COMPUTATION OF SPECIFIC OIL CONSUMPTION ACHIEVED IN FY 2018-19**

Actual Gross Generation (MU)	Actual Oil Consumption (KL)	Specific Oil Consumption (ml/kWh)	Normative Oil Consumption (ml/kWh)
80.71	251.99	3.12	1.00



## Annexure – 2B

**COMPUTATION OF FUEL COST**

Operating Parameters	Unit	Claimed in APR	Admitted
Sentout Generation	MU	72.62	72.620
Normative auxiliary	%	8.09%	10.50%
Auxiliary Consumption	MU	8.09	8.520
Gross Generation	MU	80.71	81.140
SHR	kCal/kWh	2486.24	2477.15
Total Heat Req	Gcal	200674	200995.95
Specific Oil Consumption	ml/KWh	3.12	1.00
Oil Consumption	kL	251.99	81.14
Heat from Oil	GCal	2274.92	732.53
Heat from Coal	GCal	198399.35	200263.42
Coal Consumption	Tonne	52695.71	49810.70
Coal Consumption with transit loss		53120.68	50212.40
Oil price	Rs./KL	44399.00	44399.00
Oil GCV	Kcal/L	9028.00	9028.00
Coal Price	Rs./Tonne	6589.46	5734.12
Coal GCV	kCal/kg	3765.00	4020.49
Cost of oil	Rs. Lakh	111.88	36.03
Cost of Coal	Rs. Lakh	3500.36	2879.24
<b>Total Fuel cost</b>	<b>Rs. Lakh</b>	<b>3612.24</b>	<b>2915.27</b>
Energy charge	paise/kWh	497.42	401.44



## CHAPTER – 3

### FIXED COST DETERMINATION UNDER APR

- 3.1 This chapter deals with the examination of the fixed charges claimed by HMEL for the financial year 2018–19 under different heads in respect of Unit–1 and Unit–2 of its 3 × 150 MW generating station.
- 3.2 **Project cost of Unit 1 & Unit 2:**
- 3.2.1 HMEL [formerly known as IPC(H)L] submitted a petition on 19.10.2012 seeking *in-principle* investment approval for its 3 × 150 MW coal-based Thermal Power Project (TPP) at Haldia, with an estimated project cost of Rs.2672.00 crore. Subsequently, HMEL, through a supplementary petition dated 24.07.2015, submitted with revised estimated project cost of Rs.3307.00 crore. The Commission, vide its Order dated 20.11.2017 in Case No. OA-159/12-13, accorded *in-principle* approval for the project at a cost of Rs.2672.09 crore for the 3 × 150 MW power plant. In the said Order, under paragraph 15.0, the Commission made the following observations:
- 3.2.2 “.... enhanced cost under IDC and building & civil works including employee accommodation are not tenable and for the time being agree to the estimated project cost submitted in the initial petition. However, the Commission will take final view of the project cost after completion of the project and submission of all necessary documents with audited figures and with prudence check during final approval of project cost....”
- 3.2.3 Following the declaration of the Commercial Operation Dates (COD) of the first two units on 13th August, 2017 and 31st December, 2017 respectively, HMEL submitted a petition on 20.02.2019 seeking second-stage (final) approval of the investment proposal for an amount of Rs. 4274.79 crore in terms of Regulation 2.8.1.4.3 of the Tariff Regulations. The Commission, in its Order dated 14.10.2020 in Case No. OA-299/18-19, *inter alia* observed that seeking second-stage approval after declaration of COD of two units was not tenable under Regulation 2.8.1.4.3 of the Tariff Regulations. The Commission, therefore, directed HMEL to file a fresh petition for approval of the final project cost in accordance with the provisions of Regulation 2.8.1.4.13 of the Tariff Regulations, along with audited financial statements and documentary evidence substantiating the variations in project cost vis-à-vis the *in-principle* approval.



- 3.2.4 HMEL, through its petition dated 09.12.2020, had sought an extension of time up to 31.12.2022 for submission of the petition for final project cost approval in terms of Regulation 2.8.1.4.13 of the Tariff Regulations. The Commission allowed such time extension.
- 3.2.5 HMEL, vide its letter dated 28.11.2022, had sought another extension of time for a further period of six months for submission of the petition seeking approval of the final project cost for its 3 × 150 MW Thermal Power Plant. The Commission, vide its letter dated 16.12.2022, allowed the said time extension.
- 3.2.6 In view of the foregoing and particularly considering the observations made by the Commission in its *in-principle* approval order, it is deemed appropriate to adopt the *in-principle* approved project cost for computation of the Aggregate Revenue Requirement (ARR) until the final project cost is approved.
- 3.2.7 Accordingly, the Commission decides to consider, on a provisional basis, the proportionate project cost for Unit-1 and Unit-2 amounting to Rs. 1781.3933 crore (Rs. 2672.09 crore × 2/3) to determine the Aggregate Revenue Requirements (ARR) for the years 2018-19 following the same principles as adopted in the Tariff Orders i.e. dated 31st May, 2021 and 25th August, 2021.
- 3.2.8 The Commission, in its Tariff Order dated 31.05.2021, had determined the provisional project cost for FY 2018-19 at Rs.178139.34 lakh, considering 95% of the total project cost. After excluding the cost of land for Unit-1 and Unit-2 amounting to Rs.22.19 lakh and Rs.22.18 lakh respectively, the net project cost works out to Rs.178094.97 lakh, which has been considered for computation of ARR for FY 2018-19.
- 3.2.9 In the Note 29 of audited financial statement, the auditor has qualified and stated that

*“Company has not capitalised Unit 1 & 2 of its power plant from the declared date of commercial operation, which is 13 August 2017 and 31 December 2017 respectively for Unit 1 & Unit 2. The Company has declared these CODs to fulfil certain requirements under the State Electricity Regulations. Though the Company has declared CODs, even as on balance sheet date, the units could not run for 14 days trial run which also includes 72 hours trial operation under full load condition due to issues in turbines. Bharat Heavy Electricals Limited (BHEL) is unable to sort out the problems and is not cooperating in the matter and an arbitration is going with them. Since machines are still not stabilised and both the units are not in a position to start operations on commercial level, the management is of the view that Unit*



*1 & 2 of the power plant can be said to be operational once all these issues are resolved and the plant runs for continuous 72 hours on full load. These issues are expected to be resolved during the current financial year 2019-20 and consequently, the Company will declare COD of Unit 1 & 2 in the current financial year 2019-20 when it actually starts its commercial production."*

In view of the same, cost of Unit 1 & 2 of the power plant and relevant BOPs is considered as project costs and accordingly the Company has capitalised indirect expenditure and borrowing costs incurred during the year 2018-19. HMEL has also not charged depreciation for the year 2018-19 in the financial statements for the year ended 31 March 2019."

Moreover, the auditor has delivered a qualified opinion in its audit, which has been stated below:

*"We draw your attention to Note No. 29 to the accompanying Financial Statements regarding non-capitalization of Unit 1 & 2 of its power plant from the declared date of commercial operation. The company has not capitalized Unit 1 & 2 of the power plant from the date of declaration of commercial operation by the regulatory authority (CoD of Unit 1 is 13.08.2017 & CoD of Unit 2 is 31.12.2017) and continued to capitalize the borrowing cost and other revenue expenditure incurred after the declared date of CoD under capital work-in-progress which would otherwise be charged to statement of profit and loss. The aforesaid accounting treatment is not in accordance with the relevant Ind AS 16 (Property, Plant & Equipment) and Ind AS 23 (Borrowing Cost). The financial impact of such deviation on the statement of profit and loss for the year, shareholders' fund and other reported financials remains unascertained."*

In light of the above, the items classified as pre-operative expenses under Capital Work-in-Progress (Note 20) in the audited financial statements of 2018-19 have been treated by the Commission as revenue expenses in the ARR computation rather than as capital expenditure.

3.2.10 HMEL has claimed the following components of ARR other than the fuel cost:

1. Operation and Maintenance (O&M) expenses
2. Employee cost
3. Water Charges
4. Coal and Ash handling expenses
5. Insurance

6. Rent, Rates and Taxes
7. Depreciation
8. Interest on loan
9. Return on Equity
10. Other finance charges
11. Filing Charges
12. Interest on Working Capital
13. Income other than sale of energy
14. Tax on Income and Profit

### 3.3 O&M expenses

- 3.3.1 The Operation and Maintenance (O&M) expenses, namely repairs and maintenance expenses (including the cost of consumables), legal and professional charges, audit fees, and administrative and general expenses, shall be classified as *controllable items* in accordance with the provisions of the Tariff Regulations.
- 3.3.2 In accordance with Regulation 2.8.6.1 of the Tariff Regulations, the Commission is mandated to specify the norms in the Tariff Order for the 1st ensuing year of the control period. Accordingly, the Commission has specified the norms for O&M expenses for the years 2018 – 19 and 2019 – 20 vide Tariff order dated 31.05.2021 in Case No. TP – 82/ 19 – 20 as Rs. 8.29 Lakh per MW and Rs. 8.62 Lakh. Considering the above, the normative O&M expenses for the year 2018-19 is as below:

**Table 3-1 (a): O&M Expense Normative**

Installed Capacity [in MW]	Norms for FY 2018-19 [in Rs. Lakh/MW]	Normative O&M Expense [in Rs. Lakh] admitted in Tariff order
300	8.29	2487.00

- 3.3.3 HMEL in its APR petition at para 2.7.4 has claimed Rs. 1311.70 Lakh as O & M expense which is consistent with its Form E(B). While scrutinising the petition, it is observed that O & M expense is Rs. 1305.12 Lakh which is reflected under Note 16 & 20 of the audited financial statement for the FY 2018-19. Claimed vis-à-vis amount appearing in the audited financial statements pertaining to O&M expenses for FY 2018-19 (Rs. Lakh) appear as follows:



Table 3-1 (b): O&amp;M Expense

Sl. No.	O & M Heads	As Claimed	Rs. in lakh
			As per Audited Financial Statement
1	R & M Expense	28.08	28.08
2	General & Administrative Charges	119.47	113.39
3	Professional Consultancy & Legal Expenses	252.98	252.98
4	Travelling, Conveyance & Vehicle Expense	125.64	125.64
5	Security Charges	93.89	93.89
6	Auditor's Remuneration	3.63	3.63
7	Misc Expenses	2.16	2.16
8	Other Misc Trial Run Expense	2.34	2.34
9	Consumables	6.70	6.7
10	Electricity Charges	676.81	676.31
11	<b>Total O &amp; M Expense</b>	<b>1,311.70</b>	<b>1,305.12</b>

- 3.3.4 O&M expense being a controllable element under Tariff Regulations, the Commission admits O & M expense corresponding to of the amount Rs. 1305.12 Lakh appearing in the audited financial statement for the year 2018-19.

Table 3-1 (c): O&amp;M expenses (Rs. Lakh)

Particulars	Normative Expense	Claimed	Actual (As in Table 3-4 above)	Admitted
O&M expenses	2487.00	1311.70	1305.12	1305.12

### 3.4 Employee cost

- 3.4.1 The Commission, in its Tariff Order (TP-82/19-20 dated 31.05.2021), read with the Review Order (TP(R)-33/21-22 dated 18.03.2022), had approved an employee cost of Rs. 4231.50 lakh. In its APR petition, HMEL has submitted the break-up of employee cost between its own employees and employees engaged on contract under the regular establishment in Form 1.17(h), amounting to Rs.1673.27 lakh and Rs.62.41 lakh respectively, aggregating to Rs.1735.68 lakh. HMEL, in Form 1.17(h).
- 3.4.2 HMEL, through the submission of additional information, has furnished the requisite break-up of its own employees in Form 1.17(h), along with details of contractual manpower engaged in the regular establishment. Based on the submissions of the Petitioner, the Commission finds that the employee cost pertaining to such contractual employees forms

part of the regular establishment and is admissible, subject to compliance with the ceiling on man/MW requirement approved by the Commission for the total number of employees.

3.4.3 Employee cost mainly includes salary and wages, expenditure on account of terminal benefits to employees, and welfare expenses. HMEL has claimed employee cost amounting to Rs.1,735.68 lakh. Based on the submissions of HMEL, the Commission's findings are as under:

- a) The maximum ceiling on man/MW requirement, as approved by the Commission vide its Order dated 13.09.2018 in Case No. OA-287/18-19, is 1.3. Accordingly, the maximum permissible number of employees for a 300 MW plant works out to three hundred and ninety (390).
- b) The actual number of employees is two hundred and eighty-six (286), comprising one hundred and forty-eight (148) own employees and one hundred and thirty-eight (138) contractual employees, as per Form 1.17(h) submitted by HMEL along with its additional information. Further, the employee cost of Rs.1,735.68 lakh, as reflected in the note 20 of the audited financial statements for FY 2018-19, corresponds to claimed Rs.1673.27 lakh towards own employees and Rs. 62.41 lakh towards contractual employees.

3.4.4 The Commission observes that the employee cost so claimed is consistent with the audited financial statements for FY 2018-19. Accordingly, the Commission admits Rs.1735.68 lakh as the employee cost for the said year.

**Table 3-2: Employee cost (Rs. Lakh)**

Approved in Tariff Order	Claimed in APR	Admitted
4231.50	1,735.68	1,735.68

### 3.5 Water Charges

3.5.1 The Commission had approved the water charges of Rs. 1152.86 lakh in the Tariff Order for FY 2018-19. HMEL has claimed Rs. 97.39 lakh as water charges for the year 2018-19 in its APR Petition. HMEL stated that, the amount is depicted under the head of "Pre-operative Expense" in its audited financial statement. Considering the submissions and the supporting documents, the Commission, based on the generation of 72 MU and the water consumption of the power plant at 3 KL/MWh, has computed the water requirement at



2,16,000 KL ( $72 \text{ MU} \times 3 \text{ KL/MWh} \times 10^3$ ). Further, the Commission has considered the water consumption rate of Rs. 17.20 per KL which is the weighted average rate of Rs 16.65/KL up to July 2018 and Rs 17.48/KL as specified by Haldia Development Authority and admitted in the Tariff Order for FY 2018–19, to arrive at the water charges, which work out to Rs. 37.15 lakh ( $2,16,000 \text{ KL} \times \text{Rs. } 17.20 / 10^5$ ) for FY 2018–19.

**Table 3-3: Water Charges (Rs. Lakh)**

Approved in Tariff Order	Claimed in APR	Admitted
1152.86	97.39	37.15

### 3.6 Coal and Ash handling expenses

3.6.1 The Commission had approved the coal and ash handling expenses of Rs. 109.68 Lakh in the Tariff Order for FY 2018-19. HMEL has claimed an amount of Rs. 19.00 Lakh in its APR Petition and also reflected in Note 20 of the audited financial statement under the head of Pre-operative expense of Capital work-in-progress. While scrutinizing the submitted documents, the Commission notes that HMEL has not created any separate fund as required under the guidelines of MoEFCC. Thus, the Commission finds it prudent not to admit any coal and ash handling expenses.

**Table 3-4 Coal & Ash Handling Expense (Rs. Lakh)**

Approved in Tariff Order	Claimed in APR	Admitted
109.68	19.00	0.00

### 3.7 Insurance premium

3.7.1 The expenses incurred towards insurance are uncontrollable in nature. The Commission had approved an insurance premium of Rs.126.00 lakh in the Tariff Order for FY 2018–19. HMEL, in its APR petition, has claimed Rs.128.48 lakh towards insurance premium comprising of insurance premium for plant & machinery of Rs. 124.81 lakh, insurance premium for vehicle of Rs. 1.75 lakh and insurance premium for others Rs. 1.92 lakh. As per Note 20 of the audited financial statements, under the head “Pre-operative Expense” of Capital Work-in-Progress, the insurance premium for FY 2018–19 is also reflected as Rs.128.48 lakh. After a detailed scrutiny of the insurance documents, it has been

observed that a portion of the insurance coverage for Plant and Machinery includes insurance against business interruption risks. The total insurance premium of Rs.102.66 lakh covers risks relating to material damage and business interruption, with sums insured of Rs.333,590 lakh and Rs.55,000 lakh, respectively. As a matter of prudence, the Commission does not consider the premium amount of Rs.14.53 lakh attributable to business interruption coverage on proportionate basis. Accordingly, the Commission admits an amount of Rs.113.95 lakh towards insurance premium for FY 2018–19, as stated below.

**Table 3-5: Insurance premium (Rs. Lakh)**

Approved in Tariff Order	Claimed in APR	Admitted
126.00	128.48	113.95

### 3.8 Rent, Rates and Taxes (Other than income tax)

3.8.1 The Commission had approved an amount of Rs.290.45 lakh towards rent, rates and taxes in the Tariff Order for FY 2018–19. HMEL, in its APR petition, has claimed Rs.144.76 lakh under this head. As per note 20 of the audited financial statements for FY 2018–19, the expenditure towards rent, rates and taxes is also reflected as Rs.144.76 lakh. After carrying out the necessary prudence check, the Commission admits Rs.144.76 lakh towards rent, rates and taxes for the said year.

**Table 3-6: Rent, rates and taxes (Rs. Lakh)**

Approved in Tariff Order	Claimed in APR	Admitted
290.45	144.76	144.76

### 3.9 Depreciation

3.9.1 The Commission had approved depreciation of Rs. 6306.13 Lakh in the Tariff Order for FY 2018-19. HMEL has claimed an amount of Rs. 10247.20 Lakh towards depreciation in its APR Petition. The Commission observes that the rates of depreciation as claimed by HMEL as per paragraph 2.7.17 of the petition is the weighted average rate of depreciation i.e. 3.597 % on the capitalised cost of Rs. 284899 lakh. The Commission decides to consider the amount of depreciation corresponding to the project cost of Rs. 178094.97 lakh as enumerated in paragraph 3.2.8 of this order. Accordingly, the admitted depreciation in proportion to the approved capital cost as per Regulation 5.25.1 of Tariff



Regulations appears in the table appearing below.

**Table 3-7: Depreciation (Rs. Lakh)**

Particulars	Claimed	Admitted
Opening capital cost	284899.00	178094.97
Closing capital cost	284899.00	178094.97
Average capital cost	284899.00	178094.97
<b>Admissible Depreciation</b>	<b>10247.20</b>	<b>6405.69</b>

### 3.10 Interest on Loan

3.10.1 The Commission had approved interest on capital expenditure loans amounting to Rs. 16,709.47 lakh in the Tariff Order for FY 2018–19. HMEL has, however, claimed Rs. 31,595.07 lakh towards interest on capital expenditure loans in its APR Petition, as detailed in Table 16 of the Petition. The interest on capital expenditure loans has been allowed after conducting a prudence check of the loan particulars furnished in Form C. The Commission has also taken into consideration the Petitioner's submission at paragraph 2.7.22 that repayment of debt to lenders had not commenced during FY 2018–19 and that the Petitioner was engaged in active negotiations to revise the debt repayment schedule going forward.

3.10.2 HMEL at Note 11 of audited financial statement of 2018-19 states that

"During the previous year, steps were taken for the restructuring of the term loans availed from REC Limited (REC) and Power Finance Corporation Limited (PFC). However, the sanctioned restructuring plan could not be materialised and hence not implemented. Accordingly, the terms and conditions of the earlier common loan agreements duly documented remain effective and valid as on date. As per the earlier sanction, the principal repayment was to be made in 40 quarterly instalments of Rs. 33.68 Crores and Rs. 23.97 Crores beginning from 30th June, 2017 and 15th April, 2017 respectively to REC and PFC. During the current year on 18th April, 2019, the Company has submitted the revised resolution plan for the consideration of the lenders. The restructuring plan is under positive consideration of the lenders, where the repayment of the term loans has been proposed to be shifted to start from the quarter ended 31st December, 2020. Pending final approval and documentation of the restructuring plan with the lenders, no repayment of

the term loan has been shown under current liabilities towards the principal amount repayable within next one year.”

- 3.10.3 From Form C submitted by HMEL, it is observed that the actual loan was drawn from the lending institutions amounted to Rs.238,300.21 lakh at a weighted average interest rate of 13% from the table below:

**Table 3-8(a): Computation of Weighted Average interest rate (in Rs lakh)**

Sl. No.	Source	Outstanding balance	Rate of Interest	Interest excluding. Penal charge
1	REC	1,39,576.57	13.00%	17,910.62
2	PFC	98,723.64	13.00%	12,644.08
	TOTAL	2,38,300.21		30,554.70
Weighted Average Rate (%)			13.00%	

- 3.10.4 The Commission decides to consider debt @ 70% of the project cost of Unit 1 and 2 i.e. Rs. 124697.53 lakh (70% of Rs. 178139.34 lakh) commencing from 2018-19 as admissible.
- 3.10.5 In view of the foregoing discussions and considering that HMEL defaulted payment of interest on loans during FY 2018–19, the Commission decides it prudent not to allow any amount towards interest on loan for the said year.

**Table 3-8(b): Interest on capital expenditure loan (Rs. Lakh)**

Particulars	Admitted
Opening balance of capital loan	124697.53
Addition of loan during the year	0.00
Repayment of loan	0.00
Closing balance of capital loan	124697.53
Average loan during the year	124697.53
Interest Rate	13%
Admissible interest on loan	<b>16210.68</b>
<b>Admitted Interest on loan</b>	<b>0.00</b>

- 3.10.6 In case of payment of interest on the loan amount for FY 2018-19 by HMEL in subsequent FY, HMEL shall have to make submission to claim of interest with details of payment corroborating with necessary entry & disclosure in the Audited Financial Statements of HMEL for that FY.

### 3.11 Return on Equity (RoE)

- 3.11.1 The Commission had approved RoE of Rs.8283.48 Lakh in the Tariff Order for FY 2018-



19. As against the same, HMEL has claimed the amount of Rs.12347.92 Lakh towards RoE.

3.11.2 The Commission considers the normative equity (30%) on the project cost and determines the admissible return on equity. Since Unit 1 & 2 of HMEL remains inoperative for 337 days during the year 2018-19, the Commission proportionately allows the return on equity corresponding to the number of days in operations in terms of regulation 5.6.1 of the Tariff Regulations, 2011, as amended from time to time the computation of which appears below:

**Table 3-9: Return on Equity (Rs. Lakh)**

Sl. No.	Particulars	Approved in Tariff Order	Claimed in APR	Admitted
1	Project Cost i.r.o. Unit I & II	1,78,139.33	2,84,899.00	1,78,139.33
2	Opening Equity	53,441.80	79,664.00	53,441.80
3	Equity Addition during the year	0	0	0
4	Closing Equity	53,441.80	79,664.00	53,441.80
5	Average Equity	53,441.80	79,664.00	53,441.80
6	Rate of Return	15.5	15.5	15.5
7	Admissible Return on Equity	8,283.48	12,347.92	8,283.48
8	<b>Admitted Return on Equity</b>			<b>1940.38</b>

### 3.12 Other Finance charges

3.12.1 The Commission had approved an amount of Rs. 27.00 lakh towards finance charges in the Tariff Order for FY 2018-19. HMEL has claimed Rs. 244.50 lakh under this head. The corresponding amount is reflected as "Other Financial Cost" under Note 20 of the audited financial statements for FY 2018-19, classified as pre-operative expenditure. The claim amount comprises of (i) bank charges (Rs. 0.37 Lakh), (ii) LC opening charges (Rs. 2.23 Lakh) and (iii) others Fees & Expenses (Rs. 241.90 Lakh). The Commission decides not to allow the expenditure claimed under the head "Other Fees and Expenses" amounting to Rs.5.90 lakh, as the same pertains to loan processing charges incurred in connection with the loan availed from PFC for financing the cost overrun. The Commission, therefore admits an amount of Rs. 238.60 lakh towards Other Financial Charges, since said the expense is uncontrollable.

**Table 3-10: Other Financial Charges (Rs. Lakh)**

Approved in Tariff Order	Claimed in APR	Admitted
27.00	244.50	238.60

### 3.13 Filing Charges

3.13.1 The Commission had not admitted any amount towards filling charges in the Tariff Order for FY 2018–19. HMEL has stated in its petition that no such expenditure was incurred during FY 2018–19 and, accordingly, no claim has been made under this head in the ARR computation. In view of the above, the Commission does not admit any amount towards filling charges for the said year.

### 3.14 Income other than sale of energy

3.14.1 The Commission had not approved any income other than sale of energy in the Tariff Order for FY 2018-19. HMEL has claimed an amount of Rs.1.18 lakh towards income other than sale of energy in its APR petition. Further, Note 15 of the audited financial statements of HMEL reflects Rs.1.18 lakh as interest income under the head "Other Income."

3.14.2 The Commission observes that, in terms of the Tariff Regulations, income from investments and bank balances is to be considered under "Other Income," except for income arising from investments made out of profit and/or any equity issue exclusively meant for non-core business activities, excluding embedded generation of the licensee. In view of the above, the Commission admits an amount of Rs.1.18 lakh as Other Income.

**Table 3-11: Other Financial Charges (Rs. Lakh)**

Particulars	Approved in Tariff Order	Claimed	Admitted
Other income	0.00	1.18	1.18

### 3.15 Income Tax

3.15.1 The Commission does not consider any amount towards income tax in the Tariff Order for FY 2018-19. HMEL, in its petition, has stated that no amount was paid or claimed on account of income tax for FY 2018-19. Accordingly, the Commission does not admit any amount under this head.



### 3.16 Interest on working capital

- 3.16.1 The Commission had approved the interest on working capital of Rs. 300.25 Lakh in the Tariff Order for FY 2018-19. HMEL has claimed the amount of Rs.424.10 Lakh towards interest on working capital. Regulation 5.6.5 of the Tariff Regulations specify the principles for determination of interest on working capital.
- 3.16.2 The Interest on Working Capital is now computed in accordance with the Order dated 06.04.2022 in case no. SM-30/21-22. Normative rate of interest on working capital was 11.65% (SBI MCLR as on 01.04.2018 (1 year) 8.15%+3.50%) for 2018-19. Further, in accordance with the Regulations, the lower of actual interest and normative interest on working capital assessed shall be considered in APR. In the instant case, the actual interest paid is at a rate i.e. 10.95% as claimed by the petitioner at Table 20 of the petition.
- 3.16.3 As per para 2.5 of the Tariff Order dt. 31.05.2021, HMEL has entered into PPA with WBSEDCL at a mutually agreed ad-hoc tariff of Rs 3.89 per unit which has been approved by the Commission. Accordingly, the interest on working capital for FY 2018-19 is worked out below as Regulation 5.6.5.1 of WBERC (Terms and Conditions of Tariff) Regulations, 2013.

**Table 3-12: Computation of interest on working capital (Rs. Lakh)**

Sl. No.	Particulars	Admitted
A	Gross Sales	14116.41
B1	Less: Depreciation including Advance Depreciation	6405.69
B2	Less: Deferred Revenue Expenditure	0
B3	Less: Return on Equity	1940.38
B4	Less: Reserve for unforeseen exigencies	0
B5	Less: Incentive	0
B	Total Deductions (sum B1:B4)	8346.07
C	Allowable Gross Sales for Working Capital (A-B)	5770.34
D	Allowable Working Capital @ 18% on C	1038.66
E	Interest Rate	11.65%
F	Interest on Working Capital (E % on D)	121.00
G	Actual interest @10.95%	113.73
H	Interest on working Capital allowed	113.73

### 3.17 Interest credit on depreciation

- 3.17.1 The Commission had approved the interest credit of Rs. 361.55 Lakh in the Tariff Order for FY 2018-19. HMEL has not claimed any amount towards interest credit on depreciation in its APR Petition.
- 3.17.2 In terms of Tariff Regulations, depreciation is primarily used for repayment of capital expenditure loan. Where the depreciation falls short of the actual repayment, such shortfall is allowed under Advance Against Depreciation (AAD). Similarly, when the actual loan repayment in a year is lower than the allowed depreciation, an interest credit at the rate of weighted average cost of debt for the corresponding year needs to be adjusted on such excess depreciation charged. Further, in terms of the Tariff Regulations, it is required to be ensured that the depreciation allowed should not go beyond 90% of the original project cost and after repayment of the entire loan the resulting depreciable amount shall be spread over the balance useful life of the fixed asset.
- 3.17.3 Accordingly, the Commission decides to compute the interest credit for FY 2018-19 considering the cumulative amount of depreciation and AAD allowed in previous APR orders. Accordingly, the interest credit on depreciation computed by the Commission for FY 2018-19 is as under:

**Table 3-13 (a): Interest credit on depreciation computed by the Commission (Rs. Lakh)**

Particulars	Derivation	Units	Amount
Repayment of Admissible Debt in FY 2018-19	[1]	Rs Lakh	0.00
Depreciation Allowed for FY 2018-19	[2]	Rs Lakh	6405.69
Excess of Depreciation and AAD over repayment upto 31.03.2018	[3]	Rs Lakh	0
AAD for FY 2018-19	$3] = [1] - \{[2] + [3]\}$ (if [3] < 0, then 0)	Rs Lakh	0
Excess of Depreciation over repayment upto 2018-19	$[4] = [2] + [3] - [1]$	Rs Lakh	6405.69
Weighted Average Cost of Debt	[5]	%	13%
Interest Credit for FY 2018-19	$[6] = [4] \times [5]$	Rs Lakh	832.74

- 3.17.4 Based on the above, the interest credit on depreciation for FY 2018-19 is as shown in the Table below:



**Table 3-13(b) Interest credit on depreciation (Rs. Lakh)**

Particulars	Claimed	Admitted
Interest credit on depreciation	0.00	832.74

### 3.18 Total Fixed charge

3.18.1 On the basis of above analysis, the total Fixed Charge of HMEL for FY 2018-19 comes to Rs. 11,201.14 lakh, as discussed in paragraph 3.1 to 3.17 above, details of which is given in Annexure 3A.

### 3.19 Admissibility of Capacity Charges based on Availability

3.19.1 In terms of Regulation 6.4.2 of the Tariff Regulation, the recovery of capacity charges for generating station of HMEL shall be against the normative availability. Schedule 9A of the Tariff Regulations specify the target Plant Availability Factor (PAF) for coal fired thermal generating stations.

3.19.2 **PAF Achieved:** From the submissions of HMEL, it has been observed that the actual PAF achieved during FY 2018-19 was 3.35% as certified by SLDC which is less than the norm of 85%.

#### 3.19.3 Admissible Capacity Charge:

In terms of Regulation 6.4.2 of the Tariff Regulations, the capacity charge of generating stations is determined. As HMEL has submitted the availability parameters of the Generating station at Form 1.1 as well as availability declarations certified by the SLDC and submitted by HMEL in the petition as PAF achieved by HMEL is less than the normative PAF of 85%, the Commission decides to allow the computed fixed cost on proportionate basis as given below.

**Table 3-14: Admissible Capacity Charge (Rs. Lakh)**

Particular	Value
Admitted Fixed Charge (AFC)	11201.14
Less: Incentive	0.00
Admitted Fixed Charge (AFC) excluding incentive	11201.14
Normative PAF (PAF <sub>N</sub> )	85%



Actual PAF (PAF <sub>A</sub> )	3.35%
Admissible Capacity Charge (AFC x (0.5 + 35 / NAPAFA) X (PAFY/70) (In Rs. Lakh)	488.76
Add: Incentive	00.00
<b>Total admissible Capacity Charge</b>	<b>488.76</b>





## Annexure – 3A

## FIXED CHARGES ADMITTED BY THE COMMISSION FOR FY 2018-19 (Rs. Lakh)

Sl. No.	Particulars	Admitted
1	Employee Cost	1,735.68
2	Coal and ash handling expenses	0
3	Water Charges	37.15
4	Operation & Maintenance expenses	1,305.12
5	Insurance	113.95
6	Rent, rates & taxes	144.76
7	Interest on borrowed Capital	0
8	Filing Charges	0
9	Other Finance Charges	238.60
10	Interest on Working Capital	113.73
11	Depreciation	6,405.69
12	ROE	1940.38
13	Income Tax	0
14	<b>Gross Revenue Requirement (14 = Sum 1 to 13)</b>	<b>12035.06</b>
15	Less: Misc. Other income	1.18
16	Less: Interest Credit	832.74
17	<b>Net Total Revenue Required (17 = 14 -15-16)</b>	<b>11,201.14</b>

## CHAPTER – 4

### AMOUNT ADJUSTABLE ON APR

- 4.1 Based on the foregoing analysis and admissions of the adjustments under different elements of fixed charges and fuel cost, the re-determined admitted fixed charges as well as fuel cost of HMEL during FY 2018-19 is as under:

**Table 4-1: Admitted Net ARR for FY 2018-19 (Rs. Lakh)**

Sl. No.	Particulars	Amount
1	Admitted Fuel Cost	2915.27
2	Fixed / capacity charge	488.76
3	Less: Sharing of gain with WBSEDCL	Nil
4	<b>Admitted Net ARR for recovery (1+2-3)</b>	<b>3404.03</b>

- 4.2 HMEL has disclosed revenue from sale of power to the tune of Rs 2825.00 lakh in the Note 20 of the audited financial statement for the FY 2018-19 under the head of pre-operative expense. HMEL through their APR and FPPCA petition for the FY 2018-19, supplementary petition and subsequent additional information have submitted the fuel cost and capacity charge recovered during the financial year 2018-2019 in accordance with paragraph 7 of the WBERC order dated 29.08.2018 in case number PPA-88/18-19 and the same is detailed below: -

**Table 4-2: Revenue Recovered during FY 2018-19 (Rs. Lakh)**

Name of the Generating Company	Energy Charges Recovered	Capacity Charges Recovered	Total Revenue Recovered
HMEL	1975.32	849.68	2825.00

- 4.3 In view of the admitted net ARR in table 4-1, HMEL's adjustable amount stands as given below: -

**Table 4-3: Amount Adjustable on APR for FY 2018-19 (Rs. Lakh)**

Name of the Generating Company	Total Revenue Recovered	Sharing of gain with WBSEDCL	Revenue Recoverable	Adjustable Amount
HMEL	2825.00	0.00	3404.03	579.03

- 4.4 The Commission in para 7.6 and 7.7 of the Tariff Order for the Financial Years 2018-19 and 2019 – 20 dated 31.05.2021 had directed HMEL to adjust any over- recovery or under -recovery from WBSEDCL for the period from 01.04.2018 till the month of issue of Tariff Order in the monthly bills in 10 equal instalments commencing from the month succeeding





the month of issue of the Tariff Order. This arrear amount between ad-hoc tariff and tariff claimed by HMEL as per Tariff Order dated 31.05.2021 for 2018-19 shall be considered during APR of that year where such arrear amount is booked, for adjustment with the above admitted amount of Rs 579.03 Lakh of APR of 2018-19.

- 4.5 HMEL is to take note of this order.
- 4.6 The Petition is thus disposed of.
- 4.7 A copy of the order shall be posted in the website of the Commission.
- 4.8 HMEL shall download the copy of the order from website of the Commission and act on it. Certified copy of the order, if applied for, be given to the parties on completion of formalities laid down in the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013 as amended and on submission of necessary fees.

**Sd/-**

**(DR. MALLELA VENKATESWARA RAO)**  
**CHAIRPERSON**

**Dated: 03.02.2026**

**Sd/-**

**DEPUTY DIRECTOR, WBERC**