



West Bengal Electricity Regulatory Commission
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Ref No. WBERC/A-6/12/1096

Dated, Kolkata, the 9th March, 2015

From:
K. P. Bhar, I.A.S. (Retd.)
Secretary

To
The Additional Chief Secretary to the Govt. of West Bengal,
Department of Power and Non-Conventional Energy Sources
New Secretariat Building, 7th floor, Block "A",
1 K. S. Roy Road,
Kolkata – 700 001.

Sub: Important issues for State power sector.

Sir,

I am directed to say that in pursuance of section 86(2) of the Electricity Act, 2003 the Commission requests you to look into the following issues in view of the overall situation of electricity in the State and its allocation with cost effectiveness along with actual and timely reflection and effect of tariff.

1. The State Government should consider allocating the part of allocation of power by GOI to the State to different licensees other than WBSEDCL such as DPL, CESC and DPSC as such allocation is done under Gadgil formula where population of the State is one of the prime considerations. In this context, it may be noted that DVC is at present getting the benefit of about 235 MW allocation from different power stations other than

DVC's own generation directly from GOI. However, in this context CEA's advice may also be sought for.

2. To keep the tariff of retail consumer in CESC Limited's area in a further reasonable manner as well as to reduce the purchase obligation of WBSEDCL from WBPDCCL the State Government should directly allocate some of the thermal generation power of State utilities to CESC Limited if CESC Limited desires so. Different organizations and consumers of CESC Limited through their different suggestions and objections against different tariff application of CESC Limited request for such benefit. In fact with the introduction of two part tariff for sale of power by WBSEDCL to CESC Limited, this alternative mechanism of selling power by State generators directly to CESC Limited will effectively reduce the price of retail tariff of the consumers in CESC Limited's area of supply. It will reduce the margin taken by WBSEDCL from other licensees at present.
3. The Monthly Variable Cost Adjustment (MVCA) and Monthly Fuel Cost Adjustment (MFCA) have been introduced vide Tariff Regulations dated 25th April, 2011. This mechanism has been introduced with the objectives as given below:
 - i) To give a clear signal to all the stakeholders in the economy about the realistic energy prices trend so that they can play an effective and planned role in the economy.
 - ii) To give a more realistic variable cost of generator in case of MFCA so that the merit order despatch principle can be made more effective towards economic load despatch in the power system.
 - iii) To avoid carrying cost of such accumulated realizable amount and regulatory asset and subsequently to keep the retail tariff low.

- iv) To provide reasonable and legitimate cash flow in the business of licensees or generating companies to keep their financial health properly.

But this mechanism is not being effectively used by some of the State Government enterprises, i.e., WBSEDCL, WBPDCCL and DPL and they are relying heavily on realization of enhanced fuel or power purchase cost through Fuel and Power Purchase Cost Adjustment (FPPCA) / Fuel Cost Adjustment (FCA) mechanism. The following table illustrates the situation.

Rs. in crore

| TREND OF ADDITIONAL FUEL COST RECOVERY MECHANISM BY WBPDCCL | | | |
|---|---|------------------------|--------|
| Year | Total additional fuel cost required to be recovered | Amount claimed through | |
| | | MFCA | FCA |
| 2012-13 | 1075.36 | 122.47 | 952.89 |
| 2013-14 | 1025.63 | 308.89 | 716.74 |

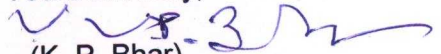
As the admitted amount in FCA / MFCA is of quite a high and significant thus it is creating a compulsive situation on the Commission to create regulatory asset of significant amount. This frustrates the basic purpose of introduction of MVCA / MFCA mechanism. In fact, as a result the accumulated regulatory asset may reach such a point when the sustainability of those companies will be at stake.

As a result of non-raising of MFCA in due time merit order despatch principle is being vitiated seriously in the whole supply chain in West Bengal power sector and thus affecting economic load despatch. Further, for non-raising of such MFCA as per regulation if any person in West Bengal who has been adversely affected as a result of consequential inappropriate merit order despatch due to such failure in MFCA bill raising in due time then WBPDCCL may have to incur loss which will lead it to become gradually financially sick. Similarly the financial health of other utilities may be adversely affected.

In view of above the State Government's attention is hereby drawn in the above issues for effective implementation of MVCA / MFCA by the above mentioned enterprises.

The above views / suggestions of the Commission may be considered by the State Government with due importance and if the State Government has any alternative suggestion that may be intimated to the Commission forthwith, preferably by a week.

From
K. P. Bhar, I.A.S. (Retd.)
Secretary

Yours faithfully,

(K. P. Bhar)
Secretary

To
The Additional Chief Secretary to the Govt. of West Bengal
Department of Power and Non-Conventional Energy Sources
New Secretariat Building, 7th floor, Block 1A,
1 K. S. Roy Road,
Kolkata - 700 001

8/c

Subj: Important issues for State power sector

Sr

I am directed to say that in pursuance of section 2(2) of the Electricity Act, 2003 the Commission requests you to look into the following issues in view of the supply situation of electricity in the State and its allocation with cost effectiveness along with actual and timely reflection and effect of tariff.

1. The State Government should consider allocating the part of generation of power by GOI to the State to different agencies other than WSEDCL, such as DPL, CESC and DPSC as such allocation is done under GOI formula where population of the State is one of the prime considerations. In this context, it may be noted that DVC is at present getting the benefit of about 235 MW allocation from different power sources or others.