



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-249/17-18**

IN REGARD TO THE APPLICATION SUBMITTED BY THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) FOR INVESTMENT APPROVAL FOR ELECTRIFICATION OF AGRICULTURAL PUMP SETS UNDER 'RAPID ELECTRIFICATION OF AGRICULTURAL PUMP SETS (REAPS)' SCHEME IN TERMS OF REGULATION 2.8.2.3 OF THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2011, AS AMENDED.

PRESENT:

**SRI SUTIRTHA BHATTACHARYA, CHAIRPERSON
SRI DURGADAS GOSWAMI, MEMBER
SRI PULAK KUMAR TEWARI, MEMBER**

DATE: 24.12.2020



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Approval of capital investment by West Bengal State Electricity Distribution Company Limited for electrification of agricultural pump sets under 'Rapid Electrification of Agricultural Pump Sets (REAPS)' scheme in terms of regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended.



Facts in brief:

- 1.0 West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL') submitted an application vide letter dated 12.04.2017 for approval of investment for agricultural pump sets under 'Rapid Electrification of Agricultural Pump Sets (REAPS)' scheme as detailed under paragraph 2.0 below in terms of regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended (in short 'Tariff Regulations'). Subsequently, WBSEDCL has submitted supplementary petitions to their application dated 12.04.2017 vide letter dated 30.04.2019 and 18.03.2020. WBSEDCL has also submitted additional information vide letter dated 30.04.2019 and 09.01.2020. The Commission admitted the application submitted by WBSEDCL dated 12.04.2017 along with the additional information and supplementary petitions (altogether referred to as 'petition') on 03.06.2020 in Case No. OA-249/17-18.
- 2.0 The application of WBSEDCL dated 12.04.2017 along with the supplementary petitions dated 30.04.2019 read with the project report and submission dated 30.04.2019 inter-alia states the following:
- 2.1 Government of West Bengal (GoWB) launched One Time Assistance (OTA) scheme for electrification of agricultural pump sets by providing Rs. 8000.00 for each Shallow Tube Well (STW) connection where intending farmer does not require paying any charges for availing such electric connection for his pump set.

While executing the One Time Assistance (OTA) scheme of GoWB, around 54311 more pending STW connections were identified and for effecting these connections, an expenditure of Rs. 1141.51 Crore after adjusting consumers' contribution of Rs. 21.72 Crore was worked out.

- 2.2 Now, in order to bridge the gap between the fund received from the GoWB through OTA scheme and the expenditure to be incurred for effecting such Agricultural connections, a separate scheme REAPS was formulated by WBSEDCL with the following salient features:





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- Installation of Distribution transformers of appropriate capacity close to irrigation pump sets considering HVDS to minimize distribution losses
- Installation of energy meters at DTR end and drawal of LT service line with insulated cable to prevent accident as well as theft of electricity.
- GPS survey of proposed infrastructure for electrification of agricultural pump sets of all intending farmers who have applied to WBSEDCL within 30.04.2015 including those under OTA scheme of Government of West Bengal.

Accordingly, additional financial assistance under Special Grant Head for 2015-16 was proposed for REAPS to Dept. of Power & NES, GoWB and the department accorded approval of Rs. 407.33 Crore vide Memo No. 217-PO/O/C-III/4S-12/2014 dated 09.09.2015.

2.3 WBSEDCL also stated that the benefits of the project are rapid disposal of STW electric connection along with strengthening rural infrastructure and economy to support faster agricultural development, accelerating the growth of agro business, creating employment in rural areas, exploring the untapped growth potential of Indian agriculture as per the guidelines laid down in the National Policy on Agriculture. The scheme will also help in reduction of AT&C Loss by way of regularizing illegal pump sets and better utilization of network assets and 33/11 kV substations created or to be created under government sponsored schemes.

2.4 WBSEDCL stated that the total estimated financial involvement of Rapid Electrification of Agricultural Pump Sets (REAPS) in West Bengal including consumers under OTA scheme of GoWB is Rs. 1141.51 Crore with the following funding arrangement

SL No.	Description	Total Cost (in Rs. Crores)
1	Consumers' contribution	21.72
2	Assistance from GoWB	407.33
3	From Own fund/ Loan from Financial Institution	712.46
4	Total Estimated Project Cost for effecting STW connection	1141.51

WBSEDCL further stated that while execution of works under the said scheme, funding of balance amount to the extent of Rs. 712.46 Crore was made by WBSEDCL utilizing its own fund towards disposal of new agricultural connection under SOP.



West Bengal Electricity Regulatory Commission

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WBSEDCL vide letter dated 30.04.2019 also stated that they have approached REC Limited towards sanction of loan of Rs 90.91 Crores for the said scheme.

2.5 In view of above, WBSEDCL has prayed before the Commission to –

Approve total investment of Rs. 1141.51 Crores (Rupees one thousand one hundred forty-one Crore and fifty-one Lakh) to intending STW connections under Rapid Electrification of Agricultural Pump Set Scheme (REAPS) in terms of Regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 as amended.

3.0 The Commission after carefully analyzing the application asked WBSEDCL to submit a comprehensive report with clarifications/ documents on the following observations:

a) The cost requires prior approval in terms of Regulation 2.8.2.3 of the Tariff Regulations and no investment should have been done in this regard.

In case any investment is done, WBSEDCL will become incapacitated to seek recovery of any investment in the tariff process as manifested in the Regulation 2.8.2.3 of the Tariff Regulations.

b) Cost arising out of REC loan has not been factored in the DPR. WBSEDCL was asked to clarify whether they would like to consider it and amend the DPR appropriately and if not, submit the certificate of non-claiming to that effect.

c) WBSEDCL was asked to clarify the mode of funding clearly and whether they would like to consider the cost of loan, if any, from Financial Institution and amend the DPR appropriately and if not, submit the certificate to that effect that it will not be claimed in future.

4.0 WBSEDCL in their letter dated 09.01.2020 inter-alia submitted the followings:

a) WBSEDCL has undertaken electrification of Agricultural Pump Sets project under 'Rapid Electrification of Agricultural Pump Sets (REAPS)' Scheme without prior approval of the Commission considering the urgency of electrification of Agricultural Pump Sets as desired by the State Government who funded the project partly.





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WBSEDCL further prayed for condonation of the act of executing the above capital investment without prior approval of the Commission as per Regulation 2.8.2.3 of the Tariff Regulations and also prayed for approval of the capital investment made in REAPS.

- b) The cost of REC Limited to the tune of Rs 90.91 Crore was not factored in the project as the loan was received from REC Limited after completion of the project. WBSEDCL certified that the question of claiming of cost of REC loan in future tariff does not arise.
- c) WBSEDCL was compelled to incur service connection related expenditure amounting to Rs. 712.46 Crore in advance from its fund meant for other than capital expenditure (working capital) in order to tackle the exigency related to consumer service as per procedure approved by the Commission. Further, the cost of factoring of such fund was not considered in the project cost. WBSEDCL certified that question of claiming of cost of working capital fund used for the purpose in future tariff does not arise.

5.0 Subsequently, WBSEDCL through their supplementary petition dated 18.03.2020 inter-alia submitted the followings:

5.1 The project cost will be Rs. 1205.37 Crore in place of Rs. 1141.51 Crore as detailed below

SI No	Description of Work	Quantity	Total Cost (in Rs Crore)
1	11 kV solid T-off arrangement	16923 Nos	30.38
2	Installation of Distribution Substations of Capacity 16/25/63 KVA	16923 Nos	292.41
3	Drawal of LT Service line with 4 Core 10 sq. mm 1.1 kV grade PVC cable	54311 Nos	448.99
4	Drawal of 11 kV O/H line on 8 mtr PCC pole with 50 sq. mm ACSR conductor	12692.25 KM	389.41
5	Installation of 3 phase static whole current meter with LPR communication facility at DTR end	54311 Nos	44.18
6	Total Project Cost (Sum 1:5)		1205.37
7	Consumers Contribution		21.72
8	Net Project Cost (8 = 6-7)		1183.65

5.2 WBSEDCL requested to approve the total revised project cost of Rs 1205.37 Crores (Rupees One Thousand Two Hundred Five Crore and Thirty-Seven Lakh) instead of Rs 1141.51 Crore for STW connections under Rapid Electrification of Agricultural Pump Set Scheme (REAPS)





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in terms of Regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 as amended.

- 6.0 The Commission directed WBSEDCL to publish the gist of their application as approved by the Commission in terms of Regulation 2.8.2.3 of the Tariff Regulations. WBSEDCL accordingly published the gist of the petition in (i) the "Bartaman", (ii) the "Aajkal" and (iii) "The Economic Times" (iv) the "Sanmarg" on 18.06.2020 inviting suggestions and objections on their petition within 14 days (including the date of publication) of publication of the notice in Newspaper. No suggestion and objection were received by the Commission within the stipulated time-period.

Observations of the Commission:

- 8.1 The Commission observes that, in terms of Regulation 2.8.2.3 of Tariff Regulations, approval of the Commission for investment in distribution project whose cost is above rupees one hundred and twenty-five crore or 5% of the gross fixed asset of distribution business of licensee at the time of taking up the project, whichever is lower, is mandatory. The Commission also observes that the regulation inter-alia specifies approval of the project shall be taken before investment is made in order to minimize the investment risk. The regulation also specifies that, each investment proposal of any distribution licensee shall also take into consideration the duty to be discharged for supplying electricity to any person who has submitted application requesting for such supply in accordance with sub-section (1) of section 43 of the Act.
- 8.2 The Commission also observes that WBSEDCL certified in their letter dated 09.01.2020 that the question of claiming of cost of REC loan in future tariff does not arise. Accordingly, such cost shall not be claimed in future by WBSEDCL.
- 8.3 The Commission further observes that WBSEDCL certified in their letter dated 09.01.2020 that the question of claiming of cost of working capital fund used for the purpose of the project in future tariff does not arise. Accordingly, such cost shall not be claimed in future by WBSEDCL.





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Order:

9.0 The Commission after considering the above facts and submissions made by WBSEDCL in their petition dated 12.04.2017 along with supplementary petition dated 18.03.2020 approves the investment proposal of Rs. 1205.37 Crore (Rupees One Thousand Two Hundred Five Crore and Thirty-Seven Lakh) which includes consumer contribution of Rs. 21.72 Crore under Rapid Electrification of Agricultural Pump Sets (REAPS) scheme in terms of regulation 2.8.2.3 of the Tariff Regulations.

10.0 The Commission also gives the following directions:

- (i) In future, WBSEDCL shall not make any progress towards implementation of a project before obtaining prior approval of the Commission as per provisions of Tariff Regulations.
- (ii) Original project cost is required to be approved in terms of Regulation 2.8.5 of the Tariff Regulations. Commission may disallow any excess of project cost on capitalization over approved cost if it finds the justifications furnished are not adequate.
- (iii) Every petition for investment approval shall clearly indicate the funding modalities. Cost of such funding if so preferred to be borne by WBSEDCL, such preference shall be clearly mentioned in the petition. Otherwise such cost has to be clearly mentioned. While submitting ARR petition, WBSEDCL shall further certify that no cost of loan fund and working capital fund for such projects have been claimed, if such cost was preferred to be borne by WBSEDCL at the investment approval stage.
- (iv) WBSEDCL shall ensure proper metering arrangement in line with Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006 as amended from time to time.
- (v) In determination of tariff, the Commission will consider the loss as per prevailing Tariff Regulations.





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- (vi) On completion of the project WBSEDCL shall submit the date of commercial operation (COD) and a cost benefit analysis of the project separately before the Commission.
- (vii) In case of escalation in project cost, WBSEDCL shall take due approval from the Commission before capitalization of assets.

11.0 The petition is thus disposed of. Let a copy of the order be served upon WBSEDCL.

sd/-
(PULAK KUMAR TEWARI)
MEMBER

sd/-
(DURGADAS GOSWAMI)
MEMBER

sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

Dated: 24.12.2020

(T.K. Mukherjee)
Secretary

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