



**ORDER
OF THE**

**WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-303/18-19**

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 PHASE 2)' 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: 21.06.2021



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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 Phase 2)' 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 The West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL') has submitted an application vide letter dated 12.03.2019 for approval of investment for electrification of agricultural pump sets under 'Rapid Electrification of Agricultural Pump Sets (REAPS Phase 2)' 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 additional submission vide letters dated 18.04.2019 and 18.11.2019 and a supplementary petition vide letter dated 20.03.2020 with a revised DPR and project cost and additional clarification dated 06.11.2020. The Commission admitted the application submitted by WBSEDCL dated 12.03.2019, supplementary petition dated 20.03.2020 along with additional submissions and clarifications (altogether referred to as 'petition') on 11.01.2021 in Case No. OA-303/18-19.
- 2.0 The petition of WBSEDCL inter-alia states the following:
- 2.1 In order to effect electric connection of 30000 agricultural pump sets, WBSEDCL has formulated a scheme termed as 'Rapid Electrification of Agricultural Pump Sets (REAPS Phase 2)' with the following salient features:
- a) Drawal of 11 kV line from the nearby 11 kV rural feeder, especially from existing agricultural feeder to the cluster points.
 - b) Installation of 25 kVA, 11/0.4 kV Distribution Transformers (DTR) close but at optimum location to form a cluster of three numbers of Agricultural Pump sets.
 - c) Installation of energy meters at DTR end and drawal of LT service line with 4 core insulated cable to prevent accident as well as theft of electricity.
 - d) WBSEDCL has also stated that the benefits of the project are rapid disposal of Shallow Tube Well (STW) electric connection along with strengthening rural infrastructure and economy to support faster agricultural development, exploring the untapped growth potential of agricultural sector as per the guidelines laid down in the National Policy on Agriculture. The scheme will also help in better utilization of network assets and 33/11 kV substations created or to be created under government sponsored schemes.
- 2.2 WBSEDCL has submitted that the average cost of energization of a Shallow Tube Well (STW) is Rs. 3.00 Lakh on lump sum basis. However, to cushion the burden of such expenditure on the power tariff





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of other consumers, the Government of West Bengal had provided grant of Rs. 1.50 Lakh per STW connection i.e. total of Rs. 450 Crore for REAPS Phase 2. Accordingly, Rs. 150 Crore as government grant was approved for FY 2017 – 18 vide Memo No. 90(Sanc)-PO/P/C-II/1B-31/2015 dated 23.03.2018 and Rs. 300 Crore as government grant was approved for FY 2018 – 19 vide Memo No. 24(Sanc)-POW-13078(11)/10/2018-SECTION (POWER)-Dept of Power dated 25.07.2018.

- 2.3 WBSEDCL has further stated that the additional amount after government grant will be arranged through loan. In the initial petition dated 12.03.2019, WBSEDCL proposed to avail loan from NABARD under RIDF Tranche 24 as per assurance given by Government of West Bengal. However, such loan was not materialized and WBSEDCL submitted that they were compelled to incur the service connection related expenditure in advance from their fund meant for other than capital expenditure

Subsequently, WBSEDCL vide supplementary petition dated 20.03.2020 has submitted that M/s RECL had agreed to provide loan of Rs. 513.71 Crore and accordingly WBSEDCL has revised the DPR and the project cost as detailed below:

SI No	Description of Work	Quantity	Total Cost (in Rs Crore)
1	Drawal of 11 kV line with T-Off arrangement	10000 CKms	468.44
2	Installation of Distribution Substations of Capacity 25 KVA	10000 Nos	232.56
3	Drawal of LT service line with 4 core 10 sq. mm. 1.1 kV grade PVC cable	9900 CKms	274.71
4	Total Project Cost (Sum 1:3)		975.71
5	Projected Interest		319.73
6	Total Project Cost including interest		1295.45

Funded By		Total Cost (in Rs Crore)
1	Contribution by Consumers	12.00
2	Already received grant in aid from Government of West Bengal	450.00
3	Loan assistance from RECL	513.71
Total		975.71

- 2.4 WBSEDCL has also submitted that they have undertaken electrification of agricultural pump sets project under REAPS Phase 2 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. WBSEDCL accordingly, prayed for condonation of act of executing the capital investment without prior approval of the Commission.
- 2.5 In view of above, WBSEDCL has prayed before the Commission to –

Approve investment of total cost of Rs. 1295.45 Crores (Rupees One Thousand Two Hundred Ninety-Five Crore and Forty-Five Lakh) for STW connections under Rapid Electrification of Agricultural Pump

West Bengal Electricity Regulatory Commission



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Set Scheme Phase 2 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 directed WBSEDCL to publish the gist of their petition 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", (iii) the "Times of India", (iv) the "Anandabazar Patrika" and (v) the "Sanmarg" on 25.01.2021 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:

- 4.1 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.
- 4.2 From the petition, the Commission noted that in view of urgency of electrification of agricultural pump sets as desired by the State Government, WBSEDCL started the project without prior approval of the Commission. WBSEDCL also sought condonation in this respect. In view of greater consumer interest, this is condoned.
- 4.3 The Commission observe that, total project cost is Rs. 975.71 Crore and WBSEDCL has considered an interest amount of Rs. 319.73 Crore over and above the project cost and prayed for investment approval of Rs. 1295.45 Crore. However, while giving clarification, WBSEDCL vide their letter dated 06.11.2020 mentioned that, loan of Rs. 513.71 Crore has been drawn from M/s RECL on 25.03.2020 i.e. after completion of the project in February, 2019 and the interest of Rs. 319.73 Crores relates to such loan from M/s RECL for the whole period from 25.03.2020 to 28.02.2032. In the same letter WBSEDCL also confirmed that, they do not claim any interest during construction as loan has been received after completion of the project.
- 4.4 In view of the facts, the Commission observes that, no interest other than interest during construction can be considered as a part of project cost. The interest claimed for entire loan duration (i.e 12 years)





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is to be serviced through normal process of tariff determination. Thus, the investment approval is restricted to the project cost of Rs. 975.71 crore excluding the interest on loan claimed by WBSEDCL.

Order:

- 5.0 The Commission after considering the above facts and submissions made by WBSEDCL in their application dated 12.03.2019 along with supplementary petition dated 20.03.2020 approves the project cost of REAPS Phase 2 as Rs. 975.71 Crores (Rupees Nine Hundred Seventy-Five Crore and Seventy-One Lakh) which is to be funded through government grant of Rs. 450.00 Crore, consumer contribution of Rs. 12.00 Crore and loan assistance from M/s RECL of Rs. 513.71 in terms of regulation 2.8.2.3 of the Tariff Regulations.
- 6.0 The Commission also gives the following directions:
- (i) 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.
 - (ii) 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.
 - (iii) In its Tariff Petition/ APR Petition, WBSEDCL shall show the consumer contribution, grant received from the government and their own investment separately for each year.
 - (iv) In case of escalation in project cost, WBSEDCL shall take due approval from the Commission before capitalization of assets.
- 7.0 The petition is thus disposed of. Let a copy of the order be served upon WBSEDCL.

Sd/-

(PULAK KUMAR TEWARI)
MEMBER

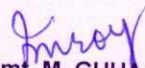
Sd/-

(DURGADAS GOSWAMI)
MEMBER

Sd/-

(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

Dated: 21.06.2021


(Smt. M. GUHA ROY)
SECRETARY



West Bengal Electricity Regulatory Commission

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