



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-319/19-20**

IN REGARD TO THE APPLICATION SUBMITTED BY THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) FOR INVESTMENT APPROVAL OF CIVIL PROJECT WORKS BY WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) 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: 05.10.2021



FACTS IN BRIEF:

- 1.0 The West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL') has submitted an application along with a Detailed Project Report (DPR) vide letter dated 20.12.2019 for approval of investment for civil projects work by WBSEDCL 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 documents in regard to their application dated 20.12.2019 vide letter dated 06.07.2021. The Commission has admitted the application submitted by WBSEDCL dated 20.12.2019 on 19.08.2021 and registered in Case No. OA – 319/19-20.
- 2.0 The application of WBSEDCL along with the DPR inter-alia states the following:
 - 2.1 With rapid expansion and growth in the state distribution sector as well as to keep pace with the time WBSEDCL finds that construction of need based modern facility becomes essential for better control in view of huge growth of consumers and also for providing healthy ambience to the employees. Now, in order to give shape of the modern thoughts with escalating demands, WBSEDCL proposed to construct Administrative Buildings, Modernized Customer Care Centres, Model Stores, Inspection Bungalows and Staff Quarters for employees throughout the state of West Bengal.
 - 2.2 WBSEDCL submitted that the following benefits will be obtained from the proposed projects:
 - (i) Construction of Administrative Buildings in their own land will help in better work coordination, providing healthy environment along with good governance. This will also provide cost savings on account of rent payment.
 - (ii) The Modernized Customer Care Centres will provide better service to consumers. This includes better communication and management between company and consumers and handling problems with ease and authority. This will also provide cost savings on account of rent payment.
 - (iii) The Model Stores will help in better inventory management along with optimum utilization of store space and proper storage of materials including ease in handling.
 - (iv) The Inspection Bungalows will help in saving expenditure on hiring charges of hotel/ guesthouse.



- (v) The Staff Quarters will help providing better employee accommodation along with easy accessibility to workplace and availability of employee in odd hours to redress issues.
- 2.3 WBSEDCL submitted that the detailed estimate for Civil Project Works has been prepared based on latest Public Works Department (PWD) schedule of works and comes to Rs. 171.90 Crores. WBSEDCL has also approached M/s RECL to sanction entire amount as loan in order to finance the project.
- 2.4 In view of the above, WBSEDCL prayed for approval of investment of Rs. 171.90 Crores for civil project works 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 Subsequently, in response to certain clarification sought by the Commission, WBSEDCL vide letter dated 06.07.2021 inter-alia stated the following:
- (i) Project loan has already been sanctioned by RECL vide No. RECL/RO/KOL/WBSEDCL/PLSI/2019-20/512 dated 25.03.2020.
 - (ii) The tariff impact of the proposed civil project works will be Rs. 3.09 Crore per annum as depreciation of asset with 10% residual value and Rs. 8.93 Crore on interest during first year of operation with reduction of interest with reducing balance of loan over the years, whereas this may help in annual savings on account of rental expenditure of Rs. 3.31 Crore.
- 4.0 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 application in (i) the "Bartaman", (ii) "The Telegraph", (iii) the "Anandabazar Patrika" and (iv) the "Aajkal" on 03.09.2021 inviting suggestions and objections on their petition within 14 days (including the date of publication) of publication of the notice in Newspaper. No suggestions, objections or comments have been received by the Commission within the stipulated time-period.

OBSERVATIONS OF THE COMMISSION:

- 5.0 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.

- 6.0 The Commission observes that, the proposed civil project will help WBSEDCL for better coordination, better service to consumers, better inventory management, better employee accommodation along with cost savings on account of rental expenditure. However, it is noted that WBSEDCL has not incorporated any Interest During Construction (IDC) component while arriving at project cost. Accordingly, the Commission does not allow any IDC on the proposed project.

ORDER OF THE COMMISSION:

- 7.0 The Commission after considering the above facts and submissions made by WBSEDCL in their application dated 20.12.2019 and subsequent submission thereof approves the investment proposal of Rs. 171.90 Crores for civil project works in terms of regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended, which is proposed to be fully funded by M/s REC Limited as loan. Further, no IDC will be allowed in the proposed project.
- 8.0 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 that the justifications furnished are not adequate.
 - (ii) In case of escalation in project cost, WBSEDCL shall take due approval from the Commission before capitalization of assets.
- 9.0 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: 05.10.2021

sd/-
Secretary