



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-321/19-20**

IN REGARD TO THE APPLICATION SUBMITTED BY THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) FOR INVESTMENT APPROVAL FOR SYSTEM STRENGTHENING WORKS OF 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: 28.04.2022



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 10.01.2020 for investment approval of Rs. 659.19 Crore capital expenditure for System Strengthening Works of West Bengal State Electricity Distribution Company Limited (WBSEDCL) in terms of regulation 2.8.2.3 the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 as amended (in short 'Tariff Regulations'). The Commission has admitted the application and marked in Case No. OA – 321/19-20.

2.0 The application of WBSEDCL along with the DPR inter-alia states the followings:

2.1 The salient features of the scheme are as under:

To ensure 24 x 7 quality power supply in the State following the policy adopted by the Government, WBSEDCL has proposed to strengthen their distribution network under the scheme termed as 'System Strengthening Works' of Rs. 659.19 Crore as below:

- (i) Installation of new 33/11 kV sub-station at various load centers to accommodate future load growth, reduction of 11kV line length for enhancing system reliability as well as reduction of Technical Loss.
- (ii) Drawal of 33 kV feeder for evacuation of 33 kV power from different Grid Sub-Station (GSS) for strengthening of 33 kV network as well as betterment of 33 kV system voltage and reliability
- (iii) Option for alternative 33 kV source (2nd source) of each 33/11 kV distribution sub-station from separate GSS in view of greater flexibility of 33 kV network in case of failure of any GSS.

2.2 WBSEDCL submitted that REC Limited vide their letter dated 13.08.2019 has sanctioned an amount of Rs. 610.38 Crore as loan out of the total project cost of Rs. 659.19 Crore. WBSEDCL further submitted that, they have also approached REC Limited to obtain the balance amount of Rs. 48.80 Crore.

2.3 WBSEDCL submitted that the aforementioned project will improve power quality and reliability, enhance capacity of distribution network to accommodate prospective load growth,



improvement of voltage profile for furthest end consumers, reduce technical losses, improve the industrial and agricultural growth, etc.

2.4 The Commission vide letter dated 21.06.2021 directed WBSEDCL to clarify on their balance fund arrangement, loss reduction, payback period, treatment of IDC, etc. In response to the clarifications sought by the Commission, WBSEDCL vide its Letter No. REG/SERC/Investment Approval/283 dated 08.10.2021 submitted the following:

- (i) The approved loan amount of Rs. 610.38 Cr. from RECL may meet the entire expenditure of the project against estimated DPR value of Rs. 659.19 Crore. Hence, balance loan of Rs. 48.80 Crore may not be required further.
- (ii) The System Strengthening Work is going on simultaneously with other similar projects (DDUJGY, IPDS, etc.) hence only overall impact on loss reduction can be observed as a whole for WBSEDCL. WBSEDCL also stated that the overall loss of WBSEDCL is steadily reducing due to overall effect of those projects and the loss has already been reduced by more than 6% from the loss level of 2017-18 level.

WBSEDCL further stated that emphasis has been given on system strengthening at sub-transmission level by creating more 33/11 kV substations and associated 33 kV lines in this project thereby reducing the length of distribution network and simultaneously contributing to reduction of technical loss.

WBSEDCL also submitted that they will be able to provide the details of overall reduction of loss on completion of all items under the scheme.

- (iii) The payback period comes to 8.78 years by averaging all the projects under the scheme. WBSEDCL also submitted a cost-benefit analysis of the scheme.
- (iv) The project cost is inclusive of taxes and duties. WBSEDCL also stated that the approximate IDC comes to Rs. 135.35 Crore and the same has not been considered in the project cost.

2.5 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 "Aajkal" and (iv) the "Sanmarg" on 29.01.2022 inviting suggestions and objections on their application to be submitted within 21 (twenty-one) days of publication of the gist. No



suggestion, objection or comment has been received by the Commission within the stipulated time-period.

OBSERVATIONS OF THE COMMISSION:

- 3.0 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 (Rs. 125 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.
- 4.0 The Commission notes from the submission of WBSEDCL vide its letter dated 08.10.2021 that the estimated cost is Rs. 610.38 Crore which will be funded fully as loan from Financial Institution i.e., REC Limited. Such revised project cost is inclusive of taxes and duties but without any Interest During Construction (IDC).
- 5.0 The Commission also observes from the submission of WBSEDCL that the system strengthening works will help in improvement of power quality and reliability to ensure 24 x 7 quality power supply as per Government policy, enhancement of capacity of distribution network and reduction of technical losses which will be beneficial for the consumers.

ORDER OF THE COMMISSION:

- 6.0 The Commission after considering all the above facts and submissions made by WBSEDCL in their application dated 10.01.2020 and subsequent submissions thereof approves the investment proposal of Rs. 610.38 Crore for System Strengthening Works of West Bengal State Electricity Distribution Company Limited (WBSEDCL) in terms of regulation 2.8.2.3 the Tariff Regulations, which is entirely proposed to be funded by REC Limited.
- 7.0 The Commission also gives the following directions:
- (i) WBSEDCL shall not include any interest component related to the loan for this project in their final project cost during submission of original project cost approval as per provisions of the Tariff Regulations.
 - (ii) WBSEDCL shall show separately the interest component up to the date of COD, if any, related to the Project Cost at the time of submission of original project cost approval.



8.0 The petition is thus disposed off.

9.0 A copy of the order shall be posted in the website of the Commission.

10.0 WBSEDCL shall download the copy of the order from the 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/-

(PULAK KUMAR TEWARI)

MEMBER

Sd/-

(DURGADAS GOSWAMI)

MEMBER

Sd/-

(SUTIRTHA BHATTACHARYA)

CHAIRPERSON

Dated: 28.04.2022

Sd/-

(SECRETARY)