



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-363/20-21**

IN REGARD TO THE APPLICATION SUBMITTED BY WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) FOR INVESTMENT APPROVAL FOR CIVIL PROJECT WORKS UNDER THE JURISDICTION OF WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED IN TERMS OF REGULATION 2.8.4.1 OF THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2021 AS AMENDED.

PRESENT:

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

DATE: 08.09.2021



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Approval of capital investment by the West Bengal State Electricity Distribution Company Limited (WBSEDCL) for Civil Project Works under the jurisdiction of west Bengal State Electricity Distribution Company Limited in terms of Regulation 2.8.4.1 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 (WBSEDCL) has submitted an application for investment approval vide their letter dated 26.02.2021 for civil project works under the jurisdiction of WBSEDCL in terms of regulation 2.8.4.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 as amended. The petition dated 26.02.2021 along with Draft Project Report (DPR) has been admitted by the Commission on 25.03.2021 in Case No. OA-363/20-21.
- 2.0 Brief details of the petition as submitted by WBSEDCL are as below:
- WBSEDCL has prayed for the investment approval of Rs. 31.11 Cr. for construction of G+6 storied offices cum guest house building at AH-3/1, New Town, Kolkata, in terms of Regulation 2.8.4.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation, 2011 as amended.
 - In the DPR it is mentioned that, New Town Electricity Supply Company Limited (NTSECL), a franchise of WBSEDCL and the West Bengal Housing Infrastructure Development Corporation (WBHIDCO) had acquired a plot of land of 0.9 acre in New Town, Kolkata for construction of their office building. Upon merger of NTSECL with WBSEDCL in December 2018, the said plot came under the possession of WBSEDCL and WBSEDCL has decided to utilize it for construction of a G+6 storied building with 5000 sqft area to accommodate its offices and guests house, etc.
 - WBSEDCL submitted that since the civil project costs remain below Rs. 50 Crore, therefore the approval of the Board of Directors is not required as per the prevailing delegation of power of WBSEDCL.
 - WBSEDCL proposed to fund the aforesaid project with 100% loan from M/S REC Limited (RECL) with a repayment period of 13 years (3 years moratorium + 10 years principal repayment) and loan tenure of 3 years with an interest rate of 10.41% in the tranches of 2019-20, 2020-21 & 2021-22. It is submitted that, M/S REC Limited has sanctioned 100% loan against the project vide their letter dated 25.03.2020. The project is under pre-tendering stage.





e. Benefits of the proposed civil project:

It is stated that the proposed building will provide accommodation to major distribution offices under one roof leading to better coordination, control and ease of management to serve consumers in a better way, accommodation of company officials and dignified guests visiting Kolkata on official purpose, cost savings on account of hiring charges of the rented premises, cost savings on account of reduced vehicle movement, creation of better working environment leading to enhanced productivity and consumer satisfaction, etc.

3.0 Subsequently, in response to the clarifications sought by the Commission, WBSEDCL vide their letter dated 14.07.2021 inter-alia stated the following:

- i. WBSEDCL apprehended that, with the proposed investment of Rs. 31.11 Cr. overall limit of Rs. 300 Cr. In the FY 2021-22 allowed under regulation 2.8.4.1 of Tariff Regulations will exceed. Thus, prior to the commencement of the project, they sought for investment approval in terms of regulation 2.8.4.1 of Tariff Regulations.
- ii. WBSEDCL further submitted that, the tariff impact of the proposed civil project will be Rs. 0.56 Cr per annum as depreciation of asset and Rs. 0.60 Cr 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. 55 lakh.

Observations of the Commission:

- 4.0 The Commission observes that approval for capital investment of small scheme /project in terms of regulation 2.8.4.1 of the Tariff Regulations is required when such expenses exceed Rs. 300 Cr or 5% of Gross Fixed Asset during the year.
- 5.0 The Commission also observes that, the proposed civil project will help WBSEDCL for better coordination, ease of management for better service, accommodation of company officials along with cost savings on account of rental expenditure. However, it is noted that, WBSEDCL has not incorporated any IDC (Interest During Construction) component while arriving at the project cost. Accordingly, the Commission does not allow any IDC on the proposed project.





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Order:

- 6.0 The Commission after considering all the above facts and submissions made by WBSEDCL in their petition dated 26.02,2021 approves the investment proposal of Rs. 31.11 Cr, in terms of regulation 2.8.4.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation, 2011 as amended, for the construction of G+6 building, which is proposed to be fully funded by M/S REC Limited as loan.
- 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: 08.09.2021

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Imray
Secretary

