



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-369/21-22**

IN REGARD TO THE APPLICATION SUBMITTED BY THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) FOR INVESTMENT APPROVAL FOR CAPITAL EXPENDITURE INCURRED FOR UNDERTAKING RESTORATION ACTIVITIES UNDER SCHEME 'RESTORATION WORKS DUE TO SEVERE CYCLONIC STORM AMPHAN' AND APPROVAL OF ADDITIONAL WORKING CAPITAL INTEREST ON ACCOUNT OF FUND UTILISED

PRESENT:

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

DATE: 10.09.2021



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Regarding approval of capital investment by West Bengal State Electricity Distribution Company Limited for Restoration works due to severe cyclonic storm AMPHAN" scheme in terms of 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 (WBSEDCL) has submitted an application vide letter dated 14.06.2021 for the approval of investment for Capital Expenditure incurred for undertaking restoration activities under the scheme "Restoration works due to severe cyclonic storm AMPHAN" and approval of additional working capital interest on account of fund utilization as detailed under paragraph 2.0 below along with a detail project report. The Commission admitted the petition submitted by WBSEDCL on 29.06.2021 in Case No. OA-369/21-22.

2.0 The salient points of the application are as bellow:

- a. A Super Cyclone "AMPHAN" made its landfall on 20.05.2020 in West Bengal, affecting 16 districts of West Bengal. Due to AMPHAN, 273 nos. 33/11 KV substations, 532 nos. 33KV feeders, 1961 nos. 11KV feeders and 10280 nos. DTRs & associated LT lines were severely damaged in the affected districts which resulted in a loss of Rs. 45 Cr. on account of demolition / retirement of Fixed Assets of WBSEDCL.
- b. For restoration of power infrastructure throughout the severely affected districts and to restore/continue power supply to its customers, WBSEDCL took a project named "Restoration work due to Severe Cyclonic storm AMPHAN" with a Capital Expenditure of Rs. 240 Cr. (approx). WBSEDCL submitted that Rs. 155 Cr. has already been utilized from working capital fund on an emergency basis for funding the aforesaid project during FY 2020-21. Further Rs. 85 Cr. (approx) is required to be expended during 2021-22.
- c. WBSEDCL has submitted that, they had requested Dept. of Power, Government of West Bengal by their letter dated 11.02.2021 for financial assistance to meet up the sudden financial burden of Rs. 240 Cr. but no response has been received from the Dept. of Power, Government of West Bengal. It has also been submitted that WBSEDCL has approached West Bengal Infrastructure Development Finance Corporation Limited (WBIDFCL) dated 25.03.2021 for a term loan to fund the restoration project, till the assistance from Government of West Bengal is received. In case no financial assistance from government, the term loan shall be for 15 years at an interest rate of 10.25%. But no response has been received till date from WBIDFCL.





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- d. WBSEDCL submitted that, they will replace their working capital loan with grant or term loan as may be available. However, in case none of the above matures, repayment has to be made from working capital loan which may have impact on Advance against depreciation.
- e. Accordingly, WBSEDCL has prayed as below:
- To allow **Rs. 45 Crore** of loss incurred on account of demolition / retirement of fixed assets having balance useful life during the determination of APR for 2020-21.
 - To approve the project "Restoration works due to severe cyclonic storm AMPHAN", with a cost of **Rs. 240 Crore** in terms of Tariff Regulations.
 - To allow the **interest on working capital spent** towards funding the project additionally over the normative amount approved for working capital during determination of APR for 2020-21 and 2021-22.

Observations of the Commission:

- 3.0 The Commission observes that, WBSEDCL has prayed to allow Rs. 45 Cr. (approx) of loss incurred on demolition of fixed assets due to AMPHAN without submitting any documents in their petition supporting such claims. For analysis of the loss claimed by WBSEDCL, it is required to substantiate the claim with a survey report certified by Govt approved Surveyor/Valuer indicating specific description of assets, age of assets, historical cost of the same, cumulative amount recovered through tariff along with salvage value if any. It is also required to confirm whether such assets were covered under any suitable insurance. WBSEDCL, along with their APR petition for the year 2020 -21, is required to submit above mentioned documents in order to clarify/ justify their claim.
- 4.0 The Commission further observes that, WBSEDCL has initiated the restoration works under the scheme "Restoration works due to Severe Cyclonic Storm AMPHAN" with an estimated cost of Rs. 240 Crore. It is also noted that, WBSEDCL has already started the project and a major part of the scheme amounting to Rs.155 Crore has already been completed in 2020-21 utilising its working capital fund with corresponding interest liability of Rs. 12.28 Crore. The Commission appreciates the early restoration initiatives taken by WBSEDCL considering the emergency nature of the work. At the same time the Commission observes lack of clarity in the petition regarding





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proposed funding of the project. It is observed that WBSEDCL has proposed for 3 (three) options to meet the expenses: (a) to adjust the working capital loan with government grant, (b) to adjust the working capital loan with term loan @ 10.50% from WBIDFCL and (c) to use further working capital for repayment, in absence of the above two. Without ascertaining the funding modalities and accessing the financial implications, it is not possible to analyse any capital investment proposal.

- 5.0 The Commission further notes that, in order to deal with such unforeseen situation, the Commission allowed WBSEDCL to create "Reserve for Unforeseen Exigency" fund under regulation 5.11 of the Tariff Regulations and has allowed an amount of about Rs. 158.21 Crores in the fund through tariff. However, from the petition it is not clear why WBSEDCL has not proposed utilization of "Reserve for Unforeseen Exigency" fund to carry out the proposed restoration works.
- 6.0 In case of any shortfall of amount from "Reserve for Unforeseen Exigency" Fund, temporary accommodation or term loan may be arranged (if no grant is received from Government). It is noted from the petition that WBSEDCL has approached WBIDFCL for a term loan to fund their restoration project but no response has been received from WBIDFCL. However, it is unclear from the petition whether WBSEDCL had approached to any other Financial Institution.

Order:

- 7.0 The Commission after considering all the above facts and the prayers submitted by WBSEDCL directs the followings:
- (i) The claim of WBSEDCL regarding loss of Rs. 45 Cr. incurred on demolition of fixed assets due to AMPHAN will be dealt in the APR petition for the year 2020 – 21. WBSEDCL shall submit all the detailed documents mentioned in paragraph 3.0 above along with their APR petition to justify their claim.
 - (ii) WBSEDCL has to submit a separate petition for investment approval under Tariff Regulations for the proposed scheme of "Restoration works due to Severe Cyclonic Storm AMPHAN" with details of estimate, specific funding modalities along with required clarifications mentioned in paragraph 4.0 to 6.0 above.





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- (iii) WBSEDCL may come up with the latest funding status while submitting the separate petition as stated in paragraph 7.0 (ii), when the matter will be dealt as per provisions of WBERC Tariff Regulations, 2011, as amended.

8.0 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

Certified true Copy

Dated: 10.09.2021



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SECRETARY