



**ORDER  
OF THE  
WEST BENGAL ELECTRICITY REGULATORY COMMISSION  
IN CASE NO. OA- 393/21 – 22**

IN REGARD TO THE APPLICATION SUBMITTED BY THE WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) FOR ALLOWING INTEREST AND ALLIED FINANCING CHARGES DUE TO LIQUIDATION OF OUTSTANDING TERM LOAN OF RURAL ELECTRIFICATION CORPORATION LIMITED (RECL) THROUGH TAKEOVER BY BANK OF BARODA IN THE AGGREGATED REVENUE REQUIREMENT OF RELEVANT YEAR

**PRESENT:**

**SRI MALLELA VENKATESWARA RAO, CHAIRPERSON  
SRI PULAK KUMAR TEWARI, MEMBER**

**DATE: 28.09.2022**





In regard to the application of the West Bengal State Electricity Distribution Company Limited (WBSEDCL) for allowing interest and allied financing charges due to liquidation of outstanding term loan of Rural Electrification Corporation Limited (RECL) through takeover by Bank of Baroda in the Aggregated Revenue Requirement of relevant year



### **FACTS IN BRIEF**

- 1.0 The West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL') submitted an application vide letter dated 17.11.2021 for allowing interest and allied financing charges due to liquidation of outstanding term loan of Rural Electrification Corporation Limited (RECL) through takeover by Bank of Baroda in the Aggregate Revenue Requirement of relevant years. The Commission admitted the application and registered it in Case No. OA – 393/ 21 – 22.
- 2.0 WBSEDCL in their application inter-alia stated the followings:
  - a) WBSEDCL has taken a loan of Rs. 966.49 Crore from Rural Electrification Corporation Limited (RECL) for intensified electrification work in 17 different districts of West Bengal. The loan is repayable with effect from 15.06.2018 in 10 annual installments at an interest rate of 10.50% per annum. It is also stated that WBSEDCL has repaid 4 numbers of installments. Later, considering the rate of interest to be on the higher side, WBSEDCL requested RECL to reduce the interest rate. However, no communication was received from them.
  - b) To alleviate such situation, WBSEDCL placed a proposal for loan swapping before consortium member banks following regulation 5.5.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time [in short 'Tariff Regulations']. Accordingly, Bank of Baroda has agreed to take over the outstanding loan on run down balance of Rs. 630.23 Crore at rate of 7.65% per annum with the original repayment schedule.
  - c) In terms of the loan swapping arrangement, WBSEDCL has to pay a prepayment premium of Rs. 13.01 Crore inclusive of GST and also clear the interest payment of Rs. 1.81 Crore upto 30.06.2021 to RECL.
  - d) WBSEDCL stated that such mechanism of swapping of loan from RECL to Bank of Baroda would result into a savings of Rs. 41.90 Crores on financing cost over the term of the loan and this would benefit the end consumers of WBSEDCL.
  - e) In view of the above, WBSEDCL prayed for approval of consequential interest and allied financial charges in the form of prepayment charges in the Aggregated Revenue Requirement of the relevant years.

### **OBSERVATIONS OF THE COMMISSION**

- 3.0 The Commission observes that, in terms of regulation 5.5.1 of the Tariff Regulations, a licensee / generating company shall take effort to replace its existing loan with any cheaper loan available





In regard to the application of the West Bengal State Electricity Distribution Company Limited (WBSEDCL) for allowing interest and allied financing charges due to liquidation of outstanding term loan of Rural Electrification Corporation Limited (RECL) through takeover by Bank of Baroda in the Aggregated Revenue Requirement of relevant year



after taking into account all the contents of loan agreements. Further, in terms of clause (iii) of regulation 5.6.4.2 of the Tariff Regulations, when a loan swapping results into net benefit to the consumers, cost associated with such swapping is to be borne by the consumers.

- 4.0 The Commission from the petition observes that, by way of swapping the loan from RECL to Bank of Baroda, WBSEDCL claims to save an amount of Rs. 41.90 Crores in terms of interest payment after adjusting the prepayment charges. Thus, the Commission prima-facie finds the arrangement is beneficial to the end consumers of WBSEDCL.
- 5.0 The Commission further observes that the in terms of clause (iv) of regulation 5.6.4.2 of Tariff Regulations, such financing charges are allowed during truing up stage (APR) of the relevant year based on the actual audited figures.

### **ORDER**

- 6.0 In view of the above, the Commission directs WBSEDCL to submit all the details of their claim along with benefit analysis in the APR application of the respective year in terms of the provision of the Tariff Regulations.
- 7.0 The Commission further directs WBSEDCL not to make any separate petition concerning any financial issue which is earmarked for scrutiny during the finalization of APR or determination of tariff as per the Tariff Regulations.
- 8.0 The petition is thus disposed of.
- 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/-  
(MALLELA VENKATESWARA RAO)  
CHAIRPERSON

**Dated: 28.09.2022**

Sd/-  
SECRETARY