



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-395/21-22**

IN REGARD TO THE APPLICATION FOR ISSUANCE OF
APPROPRIATE ORDER IN RESPECT OF APPROVAL OF ALLOWING
INTEREST AND ALLIED FINANCING CHARGES DUE TO
LIQUIDATION OF OUTSTANDING ARREAR DUES OF NATIONAL
HYDROELECTRIC POWER CORPORATION (NHPC LIMITED)
THROUGH TEMPORARY ACCOMODATION BY BILL DISCOUNTING
IN THE AGGREGATE REVENUE REQUIREMENT OF RELEVANT
YEARS

PRESENT:

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

DATE: 21.09.2022



In regard to the application for issuance of appropriate order for approval of allowing interest and allied financing charges due to liquidation of outstanding arrear dues of National Hydroelectric Power Corporation (NHPC) Limited through temporary accommodation by bill discounting in the Aggregate Revenue Requirement of relevant years



FACTS IN BRIEF

- 1.0 The West Bengal State Electricity Distribution Company Limited (in short 'WBSEDCL') submitted an application vide letter dated 22.12.2021 for issuance of appropriate order in respect of approval of allowing interest and allied financing charges due to liquidation of outstanding arrear dues of National Hydroelectric Power Corporation Limited (NHPC) through temporary accommodation by bill discounting in the Aggregated Revenue Requirement of relevant years. The Commission admitted the application and registered it in Case No. OA – 395/ 21 – 22.
- 2.0 WBSEDCL in their application inter-alia stated the following:
- WBSEDCL had been drawing power from hydro power stations of Teesta Low Dam III – 132 MW (TLDP III) and Teesta Low Dam IV – 160 MW (TLDP IV) as per the Power Purchase Agreement (PPA) executed with NHPC and duly approved by the Commission at a tariff determined by the Central Electricity Regulatory Commission (CERC).
 - For power purchase from TLDP IV, WBSEDCL was paying NHPC based on interim tariff order of CERC pending final tariff determination by CERC. Subsequently, in pursuance to CERC's tariff order dated 24.01.2021 for the period from 11.03.2016 (date of commercial operation of 1st Unit) to 31.03.2019, NHPC had claimed an arrear of Rs. 713.71 Crore (including interest of Rs. 152.64 Crore) from WBSEDCL.
 - Regarding TLDP III, CERC vide order dated 10.02.2021 allowed NHPC for recovery of shortfall in capacity charges due to reasons beyond the control of NHPC. Accordingly, NHPC claimed an amount of Rs. 58.93 Crore from WBSEDCL in respect of TLDP-III.
 - WBSEDCL had, in the meanwhile, executed a supplementary PPA on 14.09.2020 with NHPC to purchase power from TLDP III at a reduced rate, which resulted in receivable amount of Rs. 157.12 Crore by WBSEDCL from NHPC for the period from 2019 – 20 and 2020 – 21.
 - Thus, the net amount payable by WBSEDCL to NHPC in view of the above mentioned CERC orders and after carrying out adjustment as per the supplementary PPA dated 14.09.2020 comes to Rs. 615.52 Crore (= 713.71 + 58.93 – 157.12).
 - Under the above situation, WBSEDCL had explored all the possibilities of financing to meet up the arrear liability of NHPC amounting to Rs. 615.52 Crore and decided to meet up the arrear with an arrangement of bill discounting with NHPC's banker i.e., State Bank of India



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at an interest rate of 3.93 % per annum. Under such arrangement, WBSEDCL shall have to pay Rs. 0.52 Crore directly to NHPC and remaining Rs. 615 Crore to be payable in two parts i.e., 1st part consisting of Rs. 324 Crore payable in 12 monthly installments @ Rs 27 Crore each starting from 15.11.2021 and 2nd part consisting of Rs. 291 Crore payable in 3 monthly installments @ Rs. 97 Crore each starting from 16.08.2022. Further, stamp duty charges of Rs. 0.24432 Crore and interest of Rs. 16.56 Crore is also payable by WBSEDCL.

- g) WBSEDCL submitted that the above mode of financing helped them to save a cost of Rs. 33 Crore in comparison to arranging loan from Financial Institutions at short term debt of 7.50% per annum.
- h) WBSEDCL further submitted that, NHPC has also claimed an amount of Rs. 42.44 Crore as Late Payment Surcharge (LPSC) up to October, 2021 (i.e., up to the date of bill discounting).
- i) In view of the above, WBSEDCL prayed for approval of the following:
 - (i) Allow consequential interest and allied financial charges amounting to Rs. 16.80 Crore in the Aggregated Revenue Requirement of the relevant years for arranging bill discounting of Rs. 652.52 Crores as temporary accommodation;
 - (ii) Allow LPSC claimed by NHPC to the tune of Rs. 42.44 Crore to be accommodated in the future APR Orders.

OBSERVATIONS OF THE COMMISSION

- 3.0 The Commission observes that the provision related to temporary accommodation is specified in regulation 5.6.5.4 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time. In terms of regulation 5.6.5.4 of Tariff Regulations, the Commission may allow interest on temporary financial accommodation taken by the generating company/ licensee from any source to a reasonable extent of unrealized arrears from the consumers/ beneficiaries, if considered necessary. The present requirement of financial assistance does not arise from any unrealized arrears from consumers. Thus, the same does not fall under regulation 5.6.5.4 of the Tariff Regulations, as prayed by WBSEDCL.



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- 4.0 Further, the Commission notes that in terms of regulation 5.8.11, in case of receipt of any supplementary bill on power purchase or fuel cost of previous year, such bill shall be considered at the time of FPPCA and not during MVCA.
- 5.0 Under these circumstances, WBSEDCL would not have been able to recover the arrear amounts claimed by NHPC through MVCA and hence WBSEDCL has resorted to arrangement of funds by way of bill discounting. The Commission notes that the interest rate of bill discounting @ 3.93% is much less than the interest rate of loan available from Financial Institutions and hence such arrangement is beneficial for the consumers of WBSEDCL.
- 6.0 Now considering the difficulty faced by WBSEDCL for payment of the arrears to NHPC in absence of any provision to recover the same as per the monthly variable cost adjustment (MVCA) formula specified in the Tariff Regulations, the proposal of WBSEDCL to make payment through SBI under bill discounting arrangement is allowable in terms of regulation 8.3 of the Tariff Regulations. The claim on account of cost related to such bill discounting comprising of processing fees and upfront interest charge needs to be shown under specific head 'bill discounting expense' in the APR of the year in which the same is paid.
- 7.0 Further, the prayer of WBSEDCL for allowing LPSC claimed by NHPC to the tune of Rs. 42.44 Crore to be accommodated in the future APR Orders cannot be allowed at this stage in terms of regulation 2.2.7 of the Tariff Regulations. However, WBSEDCL has the liberty to claim the same in future APRs along with detail justifications.

ORDER

- 8.0 In view of the above, the Commission in terms of regulation 8.3 of the Tariff Regulations allows WBSEDCL to make payment of arrears through SBI under bill discounting arrangement and further directs the following:
- (i) WBSEDCL shall submit the details of installments paid to SBI on account of bill discounting duly certified by auditors and claim the same in FPPCA of the respective year.
 - (ii) The cost of bill discounting duly certified by the auditor shall be claimed in the APR of the year in which the same is paid under the head 'bill discounting expense'..



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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: 21.09.2022

Sd/-
SECRETARY