



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA- 419/22-23**

IN REGARD TO THE APPLICATION FOR APPROVAL OF ALLOWING INTEREST AND ALLIED FINANCING CHARGES DUE TO FORECLOSURE OF TERM LOAN OF RURAL ELECTRIFICATION CORPORATION LIMITED (RECL) UTILIZING THE GOVERNMENT GRANT RECEIVED AGAINST HIGH VOLTAGE DISTRIBUTION SYSTEM (HVDS) PROJECT IN PASCHIM AND PURBA BURDWAN, BIRBHUM, 24 PARAGANAS NORTH, 24 PARAGANAS SOUTH, HOOGHLY AND PASCHIM MIDNAPUR UNDER THE JURISDICTION OF WEST BENGAL STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED (WBSEDCL) IN THE AGGREGATE REVENUE REQUIREMENT OF RELEVANT YEARS

PRESENT:

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

DATE: 23.09.2022



Application for approval of allowing interest and allied financing charges due to foreclosure of term loan of Rural Electrification Corporation Limited (RECL) utilizing the Government Grant received against High Voltage Distribution System (HVDS) project in Paschim and Purba Burdwan, Birbhum, 24 Paraganas North, 24 Paraganas South, Hooghly and Paschim Midnapur under the jurisdiction of West Bengal State Electricity Distribution Company Limited (WBSEDCL) 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 27.05.2022 for approval of allowing interest and allied financing charges due to foreclosure of term loan of Rural Electrification Corporation Limited (RECL) utilizing the Government Grant received against High Voltage Distribution System (HVDS) project in Paschim and Purba Burdwan, Birbhum, 24 Paraganas North, 24 Paraganas South, Hooghly and Paschim Midnapur in the Aggregated Revenue Requirement of relevant years. The Commission admitted the application and registered it in Case No. OA – 419/ 22 – 23.
- 2.0 WBSEDCL in their application inter-alia stated the following:
 - a) WBSEDCL had submitted an application in terms of regulation 2.8.2.3 of the Tariff Regulations for investment approval of HVDS project in different districts of West Bengal. The project is fully funded by the State Government through grants. The Commission vide Suo Motu Order dated 18.01.2021 in Case No. SM – 26/ 20 – 21 had disposed of the said application stating that approval of the Commission shall not be required where the project is fully funded by the Government through grants.
 - b) WBSEDCL, in the present petition, stated that there was substantial delay by the Government of West Bengal (GoWB) to disburse fund and to combat the situation without hampering the flow of work, WBSEDCL availed term loan of Rs. 406.45 Crore from RECL till the receipt of grant from the Government. This had the consent of the Finance Department, GoWB.
 - c) Subsequently, the Finance Department, GoWB has disbursed Rs. 406.45 Crore with specific instruction to repay the loan taken from RECL.
 - d) WBSEDCL submitted that repayment of the term loan (Rs. 406.45 Crore) of RECL had led to an additional expense of Rs. 24.19 Crore, which comprises of the interest charges of Rs. 1.41 Crore, prepayment premium of Rs. 19.31 Crore and GST of Rs. 3.47 Crore. WBSEDCL has requested RECL for waiver of prepayment premium but the same was not considered by RECL. Thus, the entire amount of Rs. 430.64 Crore (= 406.45 + 24.19) has been paid by WBSEDCL to RECL on 14.03.2022.



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- e) Thereafter, to avoid additional financial burden, WBSEDCL requested Department of Power, GoWB for reimbursement of prepayment charges of Rs. 22.78 Crore (including GST) paid against the loan of Rs. 406.45 Crore for implementation of HVDS project by WBSEDCL. However, approval/ sanction of fund is still awaited.
- f) 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 in accordance with regulation 5.6.4.2 (iv) of the Tariff Regulation.

OBSERVATIONS OF THE COMMISSION

- 3.0 The Commission observes that, in terms of regulation 5.6.4.2 (iv) of Tariff Regulations, the Commission shall allow all financing charges relating to loan capital viz. front-end fees, bank charges, commitment charges, foreign exchange rate variations in case of loan repayments, guarantee fees, etc. However, such financing charges are allowed on prudence during tariff determination stage based on the projections made by the licensee and at true up stage (APR) based on actuals for the relevant year.
- 4.0 It is also observed that the prayer of WBSEDCL to Government of West Bengal for reimbursement of prepayment charges is yet to reach its finality.
- 5.0 Thus, the Commission does not find it appropriate to deal with the matter at the present stage.

ORDER

- 6.0 In view of the above, the Commission directs WBSEDCL to submit all the details of their claim along with detail justification in the APR application of the respective year in terms of the provision of the Tariff Regulations.
- 7.0 The petition is thus disposed of.
- 8.0 A copy of the order shall be posted in the website of the Commission.



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- 9.0 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: 23.09.2022

Sd/-
SECRETARY