



**ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

**IN CASE NO. OA-439/22-23**

IN REGARD TO THE APPLICATION SUBMITTED BY THE DAMODAR VALLEY CORPORATION FOR INVESTMENT APPROVAL FOR CREATION OF 11 KV INFRASTRUCTURE TO SUPPLY ELECTRICITY TO MEDIUM AND LOW VOLTAGE CONSUMERS TO MEET THE UNIVERSAL SERVICE OBLIGATION IN THE STATE OF WEST BENGAL IN TERMS OF REGULATION 2.8.2.3 OF THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2011 AS AMENDED.

**PRESENT:**

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

**DATE: 04.08.2023**





In regard to the application submitted by the Damodar Valley Corporation (DVC) for approval of incurring Capital Expenditure of an estimated cost Rs. 31200 Lakh for creation of necessary infrastructure for supply of 11 KV level in the state of West Bengal in terms of regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Condition of Tariff) Regulations, 2011, as amended.



### FACTS IN BRIEF

- 1.0 The instant petition has been filed by the Damodar Valley Corporation (in short 'DVC') on 16.12.2022 for the approval towards investment for creations of necessary infrastructure for supply at 11 KV level to meet the Universal Service Obligation (USO) in the state of West Bengal along with a Detailed Project Report (DPR) in accordance with regulations 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 as amended, with the following prayers:
- "a) *Admit the present submission and approve the investment proposal towards creation of necessary infrastructure to supply of electricity to Medium and Low Voltage Consumers to meet the Universal Service Obligation (USO) in the state of West Bengal;*
- b) *Allow DVC to recover the cost of investment through tariff as may be approved by this Hon'ble Commission;*
- c) *Proceed with the determination of the Tariff for the 7<sup>th</sup> Control period consisting of FY: 2020-21 to FY: 2022-23;*
- d) *Pass such other order(s) as the Hon'ble Commission may deem fit and proper keeping in view the facts and circumstances of the case."*
- 2.0 The Petition has been admitted by the Commission on 20.2.2023 and marked as OA-439/22-23
- 3.0 The Regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 reads as follows:
- ".....Similarly, the approval of the Commission for distribution project above rupees one hundred and twenty five crore and commissioned after the publication of these regulations is mandatory."*
- 4.0 DVC, in its application, inter-alia stated the followings:
- 4.1.1 Vide order dated 13.8.2014, the Hon'ble Commission directed DVC to build up infrastructure to meet Universal Service Obligation (USO) and file an application for approval. Similar order was issued vide tariff order dated 25.5.2015 for FY; 2014-15 and 2015-16 in spite of the submission that infrastructure below 33 KV was never undertaken by DVC since inception.
- 4.1.2 Subsequently, vide orders dated 11.7.2016 and 22.11.2016, fine was imposed by the Hon'ble Commission on DVC for non-compliance of the order along with direction for personal appearance of the Chairman DVC. Against the above orders, a Writ Petition being number W.P.





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26442(W) of 2016 was filed by DVC before Calcutta High Court. The Hon'ble High Court by the judgment and order dated 9.1.2017 passed the following direction:

*"Since the Regulation requires an application for investment proposal to be taken out in a prescribed format, the petitioner is directed to file the same within four (4) weeks from the date. If, such application is filed within the time indicated herein above the Regulatory Commission shall proceed with the determining the tariff by observing the requirements envisaged under the relevant Regulations and Act..."*

- 4.1.3 Vide order dated 25.4.2017, the Hon'ble Commission in case no. TP-71/16-17 directed DVC to file investment proposal in line with order dated 9.1.2017 of the Hon'ble High Court at Calcutta.
- 4.1.4 Subsequently after a series of discussions on recovery of such investment keeping in view the financial status of DVC at the meetings of the Board of Directors of DVC and prayers before the Commission dated 8.9.2017 with regard to requirement of parallel network, DVC finally vide submissions dated 16.7.2021 and 19.7.2021 stated its readiness to invest required amount every year as per demand arising out vide section 43 of Electricity Act, 2003 to fulfill its USO in compliance with the direction of the Hon'ble High Court at Calcutta dated 9.1.2017.
- 4.2 The schemes of this project are to create infrastructure of 25 MVA, 11 KV level by setting up step-down transformer at 15 nos. existing/new substations across different places in Damodar Valley area in West Bengal.
- 4.3 Three types of layout have been considered for development of 11 KV infrastructure:
- Type-A: New Location & Source of power 132 KV.
  - Type-B: Existing substation of land & Source of power 33 KV.
  - Type-C: New Location & Source of power 33 KV.
- 4.4 At present there is no 11 KV infrastructure in DVC distribution system. Therefore, in order to meet the consumer's requirement at this level the project is to be carried out in two phases:
- Phase-1: Development of 33/11 KV infrastructures in 5 nos. of existing substations and 3 nos. of new-substations are expected to be built during FY 2022 – 2024 in the West Bengal.
  - Phase-2: Development of 33/11 KV infrastructure in 7 nos. of existing substation are expected to be built during FY 2023 – 2025.





सत्यमेव जयते

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- 4.5 DVC submitted that various systems will be integrated with latest technologies like SCADA, GIS mapping, Customer Relationship Management (CRM), Advance Distribution Management System (ADMS), etc. for optimal utilization of assets.
- 4.6 The project is funded with normative Debt:Equity ratio of 70:30 where 70% loan will be arranged at market prevailing rate and rest will be funded from DVC's own fund. The Interest During construction (IDC) has been considered as 8% rate of interest and completion of the phases in 18 months. Therefore, the total project cost is expected to be Rs. 31200 Lakh (including IDC).
- 4.7 DVC has computed Annual Fixed Charge (AFC) based on CERC Tariff Regulation, 2019 which comes around Rs. 100 Cr. per annum for the development of 11 KV level infrastructures. When the AFC is added to the overall pool of DVC, the average cost of supply appears to be 0.75%.
- 4.8 DVC further submitted that at present, the technical loss in Transmission and Distribution network of DVC is around 2.5% to 3%. Now, due to penetration in the lower voltage level, additional loss will occur in the lower voltage network leading to increase in the overall technical loss of DVC network.
- 4.9 Accordingly, DVC has prayed for the determination of Tariff for the 7<sup>th</sup> Control Period consisting of FY 2020-21 to FY 2022-23 which was submitted on 26.02.2020 as there will be no impact of the present investment in the past period tariff and a very minimum impact in the FY 2022-23 which may be considered during the APR determination stage.
- 4.10 DVC was directed to publish the gist of their Investment proposal application and accordingly the gist was published in the following four daily newspapers on 12.04.2023: (i) Bartaman- Bengali, (ii) Eisamay-Bengali, (iii) Sanmarg-Hindi and (iv) The Telegraph- English. The last date for the submission of comments/suggestions/objections was 02.05.2023. However, no suggestions / objections were received within the stipulated time period.

#### **OBSERVATIONS OF THE COMMISSION**

- 5.0 The Commission observes that in terms of Regulation 2.8.2.3 of WBERC Tariff Regulations, prior approval of the Commission for investment in transmission is mandatory after 31.12.2007.
- 6.0 The Commission also observes that the augments DVC's 33 KV network to accommodate 11 KV consumers with the proper implementation of the latest technologies for metering, billing and





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collections which will be profitable to the distribution activities. Further, the continuous improvement in billing and collection efficiency will help in reduction of AT&C losses.

### **ORDER**

- 7.0 The Commission after consideration of all the facts and the project reports submitted by DVC in their petition dated 16.1.2023, approves the investment proposal for Rs. 31200.00 Lakh (including IDC) in terms of regulation 2.8.2.3 of the West Bengal Electricity Regulatory Commission (Terms and Condition of Tariff) Regulations, 2011, as amended.
- 8.0 The Commission also gives the following direction with regard to submission of the final project cost:
- (i) The necessary details along with justifications for deviations from the investment plan, if any, shall also be submitted at the time of approval of final project cost.
  - (ii) In case of escalation in the project cost, WBSEDCL shall take due approval from the Commission before capitalization of assets.
  - (iii) While submitting the application for Approval of Final Project Cost the petitioner (DVC) shall follow due procedure as per Regulation 2.8.5.1 of the West Bengal Electricity Regulatory Commission (Terms and Condition of Tariff) Regulations, 2011, as amended, with separate information with regard to details of hard and soft cost (IDC).
- 3.0 The Petition is thus disposed of.
- 4.0 A copy of the order shall be posted in the website of the Commission.
- 5.0 DVC 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: 04.08.2023**

**Sd/-  
SECRETARY**