



ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN CASE NO. OA-469/23-24

IN REGARD TO THE APPLICATION FOR ALLOWING PRELIMINARY EXPENDITURE, INCURRED BY WBSEDCL ON DROPPED NON-POTENTIAL GENERATING PROJECT I.R.O. RAMMAM INTERMEDIATE STAGE HYDEL PROJECT (RISHP) UNDER THE JURISDICTION OF WBSEDCL IN THE AGGREGATE REVENUE REQUIREMENT OF RELEVANT YEARS IN R&D HEADS OR ANY OTHER HEAD OF EXPENDITURE TO RECOVER THE PRELIMINARY EXPENSES OF THE PROJECT.

PRESENT:

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

DATE: 22.02.2024



In regard to the application for allowing preliminary expenditure, incurred by WBSEDCL on dropped non-potential generating project i.r.o. Rammam Intermediate Stage Hydel Project (RISHP) under the jurisdiction of WBSEDCL in the Aggregate Revenue Requirement of relevant years in R&D heads or any other head of expenditure to recover the preliminary expenses of the project.



CASE IN BRIEF

- 1.0 West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) submitted an application vide letter dated 18.01.2024 for according post facto approval for allowing preliminary expenditure, incurred by WBSEDCL on dropped non-potential generating project i.r.o. Rammam Intermediate Stage Hydel Project (RISHP) under the jurisdiction of WBSEDCL in the Aggregate Revenue Requirement of relevant years in Research & Development (R&D) heads as per Regulation 5.21.1 of West Bengal Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2011 as amended from time to time (hereinafter referred as 'Tariff Regulations') or any other head of expenditure as the Commission may deem proper or pass appropriate direction to recover the preliminary expenses of the project. The Commission admitted the application and registered it in Case No. OA – 469/ 23 – 24.
- 2.0 WBSEDCL in their application inter-alia stated the followings:
- WBSEDCL, being a state distribution licensee, has to survey and investigate potential hydro generation projects as per the direction of West Bengal Government to harness renewable energy in the State and for meeting peak demand.
 - WBSEDCL submitted that the primary expenditures to carry out survey, studies, etc. to identify potential projects are generally booked in the Capital Expenditure, when such project gets matured. However, when a potential project does not mature, such expenditures are booked as revenue expenditure of WBSEDCL and required to be passed on through tariff.
 - WBSEDCL had earlier applied before the Commission on 10.01.2023 for according in-principle approval under regulation 2.11.1 of the Tariff Regulations for allowing such preliminary expenses through tariff. In response, the Commission in its order dated 06.10.2023 in Case No. WBERC/OA-444/22-23 observed that none of the mentioned projects were declared abandoned and directed WBSEDCL to submit fresh petition for consideration of post facto approval.



In regard to the application for allowing preliminary expenditure, incurred by WBSEDCL on dropped non-potential generating project i.r.o. Rammam Intermediate Stage Hydel Project (RISHP) under the jurisdiction of WBSEDCL in the Aggregate Revenue Requirement of relevant years in R&D heads or any other head of expenditure to recover the preliminary expenses of the project.



- d) In the present petition WBSEDCL submitted that, its Board of Directors in its 117th meeting held on 10.11.2023 decided to drop the Rammam Intermediate Stage Hydel Project (RISHP) due to the following major reasons:
- It's challenging to maintain a Free stretch at the Downstream (D/S) side of RISHP, unlike the Upstream (U/S) side.
 - The per MW cost for the Barrage and DAM proposal is approximately Rs. 30.25 Crore and Rs. 16.05 Crore, respectively.
 - The computed levelised Tariff with a Barrage Structure is Rs. 17.81 (as per CERC) and Rs. 11.30 (as per WBERC). For the Dam structure, it is Rs. 7.00 and Rs. 4.59 without free power to Sikkim, and Rs. 7.96 & Rs. 5.21 when 12% free power to Sikkim is considered.
- e) Accordingly, WBSEDCL prayed for approval to include preliminary expenditure of Rs. 92.74 lakhs related to the dropped Rammam Intermediate Stage Hydel Project (RISHP) in its Annual Revenue Requirement as a pass-through in the tariff, specifically under the head of R&D expense or any other category deemed appropriate by the Commission.

OBSERVATION OF THE COMMISSION

- 3.0 In terms of Regulation 5.21.2 of the Tariff Regulations, expenditure on Research & Development will be allowed only when there is prior project-wise approval from the Commission or where the Commission has directed to undertake such project. As the proposed expenditure does not satisfy the conditions of regulation 5.21.2, it cannot be allowed as R&D expenditure.
- 4.0 However, when utilities carry out some revenue expenses which do not fall under its usual business activity, but as per direction of the Commission or Government, such expenditure is admissible under O&M expenditure in terms of fourth proviso of regulation 5.7.1 of the Tariff Regulations, as amended.



In regard to the application for allowing preliminary expenditure, incurred by WBSEDCL on dropped non-potential generating project i.r.o. Rammam Intermediate Stage Hydel Project (RISHP) under the jurisdiction of WBSEDCL in the Aggregate Revenue Requirement of relevant years in R&D heads or any other head of expenditure to recover the preliminary expenses of the project.



ORDER

- 5.0 In view of the above, WBSEDCL is at liberty to claim such expenditure as special O&M expenses under fourth proviso to regulation 5.7.1 of the Tariff Regulations in its APR petition of respective year defining reasons as to why there deviation from the existing provisions, when such project is dropped and the expenses are decided to be booked as revenue expenses.
- 6.0 WBSEDCL may be directed to submit all details including supporting documents, Government directions, audited expenditures, etc. for such expenses along with its APR petition.
- 7.0 A copy of the order shall be posted in the website of the Commission.
- 8.0 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: 22.02.2024

Sd/-
(SECRETARY)