

West Bengal Electricity Regulatory Commission



Corrigendum to the Order dated 24.08.2012 of the Commission for APR 2010 – 2011 in respect of THE DURGAPUR PROJECTS LIMITED in CASE No. APR- 28 / 11 – 12

Attention of the Commission has been attracted to certain typographical error / apparent mistake in the order dated 24. 08. 2012 passed by the Commission for APR for the year 2010 – 2011 in respect of The Durgapur Projects Limited in Case No. APR-28 / 11- 12.

The Commission is of the considered opinion that it will be correct in the interest of all concerned that the typographical error / apparent mistake which do not have any effect on the determination of the net recoverable amount already given in the said order is corrected and necessary corrigendum of the order is issued. The Commission accordingly carries out such correction, keeping in view the provisions of Section 94 of the Electricity Act, 2003 and directs the Secretary to issue the following corrigendum in respect of The Durgapur Projects Limited.

Page No.	Nomenclature	Existing Description	Corrected Description
25	Table below para 3.5, last row, 2 nd column	Sales revenue realized during 2009 – 2010 pertaining to this year	Sales revenue realized during 2010 – 2011 pertaining to this year

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATE: 30.08.2012



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 28 / 11 – 12

**IN RE THE APPLICATION OF THE DURGAPUR PROJECTS
LIMITED FOR ANNUAL PERFORMANCE REVIEW FOR THE
FINANCIAL YEAR 2010 – 2011 IN TERMS OF REGULATION 2.6
OF THE WEST BENGAL ELECTRICITY REGULATORY
COMMISSION (TERMS AND CONDITIONS OF TARIFF)
REGULATIONS, 2011.**

DATE: 24.08.2012



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 (hereinafter referred to as the 'Tariff Regulations'), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff procedure and as such, Annual Performance Report (in short 'APR') aims at carrying out adjustments arising out of difference between the actual performances and projected performances under different factors/heads of accounts. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, the Durgapur Projects Limited (in short 'DPL') submitted its application for the same on 10 January, 2012 for the financial year 2010 – 2011. It provided the requisite data / information in the specified proforma along with the copy of its audited annual accounts for the concerned year. The application was admitted by the Commission for processing and the same was numbered as APR-28/11-12.
- 1.2 In terms of regulation 2.6.12 of the Tariff Regulations, the gist of the APR application of DPL was published in the news papers viz., Ekdin, Bartaman, Economic Times and Sanmarg on 25.05.2012 inviting suggestions / objections on the aforesaid application. No suggestion / objection was, however, received from the stake holders.
- 1.3 The instant application of DPL is its fifth application for the APR, the first, second, third and the fourth ones were for the financial years 2006 – 2007, 2007 – 2008, 2008 – 2009 and 2009 – 2010 respectively. The adjustments, as were found necessary on review of the performances of those years, were effected while determining the amount recoverable through tariff during the years following the years of such review. Similarly, the adjustments, as may arise out of the review



- of the instant application for 2010 – 2011 will be considered for giving effect as provided in the Tariff Regulations.
- 1.4 The Commission has taken careful note of the representations made by DPL and the relevant issues will be addressed to and the views will be taken accordingly while examining the admissibility of expenses under different heads of accounts in the subsequent chapter. It is, however, to clarify, at the out set, that the APR aims at examining the admissibility of fixed charges on different accounts and ascertaining the amounts of appropriate adjustments in terms of the Commission's Tariff Regulations.
- 1.5 The APR is to cover the annual fixed charges allowed to the distribution licensee, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. Element of gain sharing on account of achieving better operational norms, however, was not considered for DPL while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2010 – 2011.
- 1.6 The APR for the year 2010 – 2011 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to DPL through the ARR for the year 2010 – 2011, vis-à-vis the actuals as per the audited accounts. The instant application of DPL for the year 2010 – 2011 is being viewed in the subsequent parts of this order.
- 1.7 The Commission has already ascertained the total amount of variable cost that could be allowed to DPL in the year 2010 – 2011 vide Commission's order dated 02.08.2012 in Case no. FPPCA – 56 / 11 – 12. The instant order is, therefore, exclusively for ascertaining the allowable total amount of fixed charges for the year 2010 – 2011. The matter is being taken up in the next chapters.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed and any savings made under the controllable head will go to their account. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actuals based on the audited accounts of DPL is being taken up hereunder one by one:

2.2 Employee Cost:

2.2.1 DPL was allowed a total amount of Rs. 8308.41 lakh towards employee cost which includes salaries, wages, bonus, contribution to PF etc. as well as staff welfare expenses. As against this amount, the actual expenditure as per audited accounts and as claimed by DPL was for a total amount of Rs. 8317.83 lakh. The detailed head wise break-up is as under:

		Rs. In Lakh
Sl. No.	Detailed heads of Accounts	Amount
1	Salary & Wages	4191.65
2	Bonus & Ex-Gratia	-
3	Gratuity	539.60
4	P. F. Contribution	345.16
5	Leave Salary	416.84
6	LTC & Leave encashment	14.66
7	Pension Scheme	80.15
8	Other Welfare Expenses	31.75
	Total amount directly chargeable to Power Business	5619.81
9	Allocation of Central Overhead	
	(a) Service Department 2657.99	2698.02
	(b) Central Workshop 40.03	
	Total	8317.83



- 2.2.2 DPL being a multi product / functional organization, its power business gets an allocation of the net expenditures of its centralized service department and workshop on the basis of pre-determined allocation ratio of 56.18% and 17% respectively.
- 2.2.3 The pay structure of DPL was revised with effect from 1 January, 2006, vide notification no. 71-PO/O/C-IV/IE-06/09 dated 17 February, 2009. Such pay revision also necessitated higher provisions towards employees' benefits on account of gratuity and leave salary in compliance with provision of Accounting Standard (AS) – 15. The increase in the employees cost over the amounts considered in tariff order under MYT was however, allowed in the Commission's order dated 30 June, 2010 read with corrigendum dated 13 July, 2010 in case no. OA-83/10-11. As such, the difference between the amount as per tariff order and actual is marginal.
- 2.2.4 DPL has submitted a claim of Rs. 0.97 lakh at Form 1.15 towards production incentive under employee cost. As already indicated under paragraph 6.3(e)(1) of the Commission's order dated 26.09.2008 in case no. TP-38/08-09, production incentive shall not be allowed in the employee cost. Thus, Rs. 0.97 lakh, as above, is to be excluded from the submitted employee cost based on above order. The Commission decides to admit the actual employee cost of DPL being uncontrollable in nature in the APR for 2010 – 2011 amounting to Rs. 8316.86 lakh (Rs. 8317.83 lakh – Rs. 0.97 lakh) and function wise allocation of the total amount so admitted based on the ratio suggested by DPL is as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	6371.32
2	Distribution Function	1945.54
	Total	8316.86



2.3 Water Charges:

2.3.1 DPL meets its processed water supply requirements for its generation plants taking supply from its sister water plant unit. The inter plant transfer rate for such processed water during the year was fixed to Rs. 5.00 per kilolitre (KL). The actual amount of Rs. 993.83 lakh was charged to power plant unit as against Rs. 2185.70 lakh considered in the tariff order for the concerned year. The Commission admits the actual expenditure booked amounting to Rs. 993.83 lakh on this score in APR for 2010 – 2011. The amount is allocated between generation function and distribution function as proposed by DPL.

2.4 Coal and Ash Handling Charges:

2.4.1 An amount of Rs. 1268.72 lakh was allowed in the tariff order for 2010 – 2011 towards coal and ash handling expenses. DPL claimed an amount of Rs. 731.62 lakh on this account. As shown in schedule – K to the audited accounts of generating station, the amount of actual expenditure came to Rs. 731.62 lakh and the same is admitted in APR for 2010 - 2011. The admitted amount of Rs. 731.62 lakh is chargeable to generation function.

2.5 Interest on Capital Borrowings:

2.5.1 As it reveals from the data submitted in Form – C of the instant application for APR, borrowings of DPL for its power business are mainly from M/s Power Finance Corporation Limited (in short “PFCL”). In addition to those, part of the borrowings from the Government of West Bengal and through the issuance of Bonds was allocated to power. The position of outstanding balances, at the beginning of the year, repayments made during the year, fresh borrowings and interest charges for the year are found as under:



Order on APR of DPL for the year 2010-11

Rs. in Lakh

Sl. No.	Sources	Opening balance	Repayment	Fresh drawal	Closing balance	Interest charges
1	PFCL					
	i) No. 50401001	75886.36	7103.52	770.23	69553.07	8125.85
	ii) No. 50403001	3544.37	-	-	3544.37	543.25
	iii) No. 50404008	6786.15	2714.46	-	4071.69	448.25
2	Bonds allocated	235.78	28.50	-	207.28	25.84
3	Government of West Bengal	7873.57	-	-	7873.57	601.61
4.	Loan from UBI (VII)	-	-	1080.00	1080.00	17.73
5.	Loan from UBI (II – VI)	-	-	280.00	280.00	11.85
	Total	94326.23	9846.48	2130.23	86609.98	9774.38

2.5.2 The amount of interest charged in Profit & Loss Account of the power business is also found to be Rs. 9774.38 lakh (vide page 104 in volume II of the submission). However, this amount includes Rs. 29.58 lakh towards interest on working capital loan drawn from UBI as shown under sl. No. 4 & 5 above. Since interest on working capital loan is being dealt separately, this amount is excluded from the allowable amount of interest on borrowed capital. The Commission, thus, admits the interest of Rs. 9744.80 lakh (Rs. 9774.38 lakh – 29.58 lakh) in the APR for the year 2010 – 2011. Allocation of this amount to generation and distribution function is as under as proposed by DPL.

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	8283.09
2	Distribution Function	1461.71
	Total	9744.80

2.5.3 While submitting APR application for 2010 – 2011, DPL in their introductory brief has emphasized for release of backlog interest of loan from Central Electricity Authority (CEA) amounting to Rs. 2593.35 lakh as were stated to have been deducted in APR 2008 – 2009 by the Commission. The copy of the CEA's letter no. 2/1/Tem/CEA/Audit/2011/3619 dated 25 October, 2011 stated to have been enclosed with their application was not found in absence of which further examination could not be made. However, the Commission may consider the



release of the actual interest backlog of the loan from CEA or otherwise in future after proper verification and examination, provided the same is accepted by DPL and the liability towards interest is accounted for properly and audited.

2.6 Interest on Working Capital:

2.6.1 No amount on this head was considered in the tariff order for 2010 – 2011. As per their submission, DPL obtained short term specific loan from UBI to meet up the working capital needs at the rate of 2.25% per annum interest over and above the UBI's base rate with monthly rest. However, in their submission at Form C of Annexure – I, they have indicated the rate of interest of such loan as 10.50%. The weighted average rate of actual interest, thus, comes to 10.50%. This rate is lower than the Prime Lending Rate (PLR) of State Bank of India as on 01.04.2009, i.e., 12.25% per annum. The Commission considers to allow the actual rate of interest at 10.50%.

2.6.2 In terms of regulations 5.6.5.1 and 5.6.5.2 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 18% on the summation of annual fixed charges and FPPC reduced by the amounts of depreciation etc. The following are the calculation in this regard.

Sl. No.	Particulars	Amount in Rs. in lakh	Amount in Rs. in lakh
1	Annual Fixed charges now arrived excluding interest on working capital		51792.77
2	Fuel and Power Purchase Cost now arrived		39559.94
	Sub Total (1+2)		91352.71
	Less:		
3	Depreciation	7019.73	
4	Advance against depreciation	2826.75	
5	Return on Equity	12419.36	
6	Provision for Bad Debt	216.24	
7	Reserve for Unforeseen Exigencies	498.93	
	Sub Total (3 to 7)		22981.01
8	Allowable Fixed Charges for working capital		68371.70
9	Normative requirement of Working Capital (18% of 8))		12306.91
10	Interest allowable @ 10.50% on 9		1292.23
11	Interest on working capital allowed		1292.23



2.6.3 The amount of Rs. 1292.23 Lakh is allocated between generation and distribution function on the basis of gross revenue requirement as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	1075.29
2	Distribution Function	216.94
	Total	1292.23

2.7 Interest on Consumers' Security Deposit:

2.7.1 An amount of Rs. 24.72 lakh was allowed to DPL towards interest payable to consumers on their security deposits. The actual amount of interest charges on such deposits came to, as per schedule – K to the audited accounts, Rs. 26.49 lakh. The same amount is admitted on APR for 2010 – 2011 and that pertains to distribution function.

2.8 Finance Charges:

2.8.1 The actual amount of finance charges incurred by DPL during 2010 – 2011 are found as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Guarantee Fees	816.14
2	Bank charges	13.55
	Total	829.69

2.8.2 This is as against Rs. 833.07 lakh allowed in the tariff order for 2010 – 2011. The amount of guarantee fee is in regard to capital loans from PFC for the construction of power plant and the same amounting to Rs. 816.14 lakh is, therefore, charged to generation function. Bank charges of Rs. 13.55 lakh are in regard to distribution function. The total of Rs. 829.69 lakh is admitted by the Commission in APR for 2010 – 2011.



2.9 Depreciation:

2.9.1 The amounts of depreciation considered in the tariff and actually become chargeable to accounts for the year 2010 – 2011 are as under:

Rs. In Lakh

Particulars	Amount as per Tariff Order	Actual
Generation	5861.02	6028.23
Distribution	1235.47	991.50
Total	7096.49	7019.73

2.9.2 The amount of Rs. 7019.73 lakh actually charged to accounts is admitted in APR for 2010 – 2011.

2.10 Advance Against Depreciation:

2.10.1 DPL claimed for an amount of Rs. 2826.75 lakh towards advance against depreciation as against Rs. 3545.73 lakh allowed in the ARR for the year 2010 – 2011. Advance against depreciation is allowable, in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations, 2011 to facilitate the scheduled repayments of loans where the amount of chargeable depreciation falls short of the total amount so required for loan repayment. As shown in the paragraph 2.5.1 above, the total amount of loans repaid by DPL during 2010 – 2011 was Rs. 9846.48 lakh and that is much more than the amount of depreciation of Rs. 7019.73 lakh charged in the accounts and admitted by the Commission in APR 2010 – 2011. As such, an amount of Rs. 2826.75 lakh towards advance against depreciation is found allowable and relates to generation function.

2.11 Intangible Assets Written Off:

2.11.1 An amount of Rs. 4.48 lakh was allowed in the ARR for 2010 – 2011 towards write off of intangible assets. No amount was found charged in the audited accounts. Thus, no amount is admitted in APR for 2010 - 2011.



2.12 Bad Debts:

2.12.1 DPL has written off Rs. 216.24 lakh as bad debt in its audited accounts for the year 2010 – 2011 for power business (vide schedule K at page 117 of Volume II of its application). It has been stated that the amount is against the dues from the sick industrial units which are under liquidation or closure or dispute. It is seen from schedule – N – Notes on Accounts of Annual Accounts 2010 – 2011 that DPL has actually written off the dues amounting to Rs. 216.24 lakh as bad debts as per Resolution taken in the Board's meeting held on 28.07.2010 and 09.04.2011. DPL requested for considering the entire amount of Rs. 216.24 lakh as bad debts. In terms of regulation 5.10.1 of the Tariff Regulations, the maximum amount that can be allowed in this regard is 0.5% of the annual gross sales revenue which is Rs. 62098.78 lakh. The amount of bad debt @ 0.5% on that amount comes to Rs. 310.49 lakh. The Commission, thus, admits the actual written off amount of Rs. 216.24 lakh as bad debts for the year 2010 – 2011. It is chargeable to distribution function.

2.13 Income Tax:

2.13.1 The power business of DPL is not a separate entity for assessment of income tax. The company as a whole was having an amount of negative profit (loss) for the year 2010 – 2011. DPL, therefore, did not claim for any amount in this regard.

2.14 Reserve for Unforeseen Exigencies:

2.14.1 An amount of Rs. 537.82 lakh was allowed in the ARR of DPL for the year 2010 – 2011 towards reserve for unforeseen exigencies. In terms of regulation 5.11.1 of the Tariff Regulations, such reserve is allowable @ 0.25% of the gross block of the fixed assets at the beginning of the year. In the year 2010 – 2011, original cost of fixed assets in operation stood at Rs. 199571.00 lakh at the beginning of the year and amount to be provided towards reserve for unforeseen exigencies reckons to Rs. 498.93 lakh in APR for 2010 – 2011. The aforesaid amount of Rs. 498.93 lakh is allocated between generation function and distribution function as



Rs. 464.61 lakh and Rs. 34.32 lakh respectively based on proportion of opening gross value of fixed assets.

2.15 Returns on Equity:

2.15.1 In terms of regulation 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, DPL is entitled to have returns on equity base deployed in its generation and distribution functions @ 15.5% and 16.5% respectively.

2.15.2 Out of total equity base of Rs. 70732.23 lakh for generating function, Rs. 34476.23 lakh relates to equity base of units I to VI and Rs. 36256.00 lakh to that of unit VII. The unit I of DPL was decommissioned on 01.04.2010 and was inoperative entirely during 2010 – 2011. The value of equity for the remaining units II to VI for the purpose of return as stated in regulation 5.6.1.7 read with regulation 5.6.1.5, shall be determined considering the value of equity of the inoperative unit derived in terms of the formula laid down under regulation 5.6.1.6(a) as under:

$$E_{\text{unit}} = \frac{E_{\text{tot}} \times IC_{\text{unit}}}{\sum IC_{\text{unit}}} \times (0.9085)^{A_{\text{unit}}}$$

Where,

E_{unit} = Deemed Equity of inoperative unit under consideration.

E_{tot} = Actual Equity against the concerned generating station.

A_{unit} = Age difference of the latest unit and the concerned inoperative unit.

IC_{unit} = Installed capacity of the inoperative unit under consideration.

$\sum IC_{\text{unit}}$ = Summation of the installed capacity of the generating station i.e. total installed capacity of the concerned generating stations.

2.15.3 The units I & VI were commissioned during 1960 and 1987 respectively.

$$\begin{aligned} \text{Deemed equity for unit I } (E_{\text{unit}}) &= \{(Rs. 34476.23 \text{ lakh} \times 30)/401\} \times (0.9085)^{27} \\ &= \text{Rs. 193.32 lakh} \end{aligned}$$



Order on APR of DPL for the year 2010-11

Therefore, the revised equity base of the remaining units II to VI of DPL is arrived at Rs. 34282.91 lakh (Rs. 34476.23 lakh - Rs. 193.32 lakh).

2.15.4 As it transpired from the submission of APR application and the annual audited accounts of DPL that there has been no equity infusion by the Government of West Bengal during 2010 – 2011. DPL was not having any free reserves either for deployment in power business. It has been found from the audited balance sheet in regard to power business that the net addition to the value of fixed assets in operation during 2010 – 2011 was Rs. 5953.79 lakh.

2.15.5 The computations of the amounts of such capital base, following the methods prescribed in data form 1.20(a) and the amount of total allowable return come as under:

Sl. No	Particulars	Amount (Rs. in Lakh)		
		Generation	Distribution	Total
1	Actual equity base at the beginning of the year	70732.23	18517.77	89250.00
2	Admissible equity base at the beginning of the year	63256.48	15936.92	79193.40
3	Actual addition to / withdrawal of equity base during the year vide paragraph 2.15.2	(193.32)	0.00	(193.32)
4	Actual equity base at the end of the year (1+3)	70538.91	18517.77	89056.68
5	Net Addition to the original cost of fixed assets during the year	327.63	5626.16	5953.79
6	Normative addition to equity base (30% of 5)	98.29	1687.85	1786.14
7	Addition to equity base considered for the year (lower of 3 and 6)	(193.32)	0.00	(193.32)
8	Admissible equity base considered at the closing of the year (2+7)	63063.16	15936.92	79000.08
9	Average equity base for allowing returns (2+8)/2	63159.82	15936.92	79096.74
10	Rate of Return	15.50%	16.50%	
11	Return on Equity in APR for the year 2010 – 2011	9789.77	2629.59	12419.36

2.15.6 It is observed from the Balance Sheet of the power plant unit of DPL, as submitted with the APR application for the year 2010 – 2011 that the shareholders' fund under the head 'sources of fund' in liability side has not been



shown separately. In order to justify different element of fixed charge components including return on equity, DPL is directed to submit duly audited balance sheet and profit and loss account year-wise for the years 2007 – 2008 to 2010 – 2011 and 2011 – 2012 onwards in respect to the power plant unit as a whole separately incorporating therein shareholders' funds viz., (i) authorized capital, (ii) paid up capital, (iii) capital reserve, (iv) reserves & surplus and (v) reserve for the unforeseen exigencies along with respective schedules under the major head 'sources of fund' including the Auditor's comments instead of present practice of reflecting inter-unit current accounts under sources of fund. The amount under reserves & surplus schedule should include amounts of surplus separately brought forward from profit & loss account of the respective year / previous year besides capital reserves, etc. It is also directed to forward the respective Government orders issued from time to time towards equity infusion / participation by the Government in the power plant business of DPL unit-wise.

2.16 Rates & Taxes (Other than on Income & Profit):

2.16.1 No amount was separately considered towards Rates & Taxes (Other than tax on Income & Profit) in the tariff order for the year 2010 – 2011. The projected amount on such accounts was considered as the part of overall operation and maintenance expenses which were treated as controllable. In the Tariff Regulations, 2011 the Commission recognized such expenditures as separate item and categorized the same as uncontrollable.

2.16.2 As per schedule 'K' of audited accounts of DPL for 2010 – 2011, the expenditure on rates and taxes was Rs. 0.38 lakh and the same is admitted by the Commission. The expenditure is allocated to the generation function.

2.17 Insurance Premium:

2.17.1 Similar to rates & taxes, as stated above, the provision towards insurance expenses was clubbed with the overall allowable amount of operation and maintenance expenses. Since in the recent Tariff Regulations the expenditures towards taking appropriate insurance coverage have been categorized as



uncontrollable, the actual expenditures on this account as per schedule 'K' to the audited accounts of DPL for the year 2010 – 2011 totaling to Rs. 96.29 lakh has been admitted by the Commission. The expenditure is allocated to the generation function.

2.17.2 DPL is to confirm whether the insurance premium was paid after selection of insurance company through a transparent process as required under regulation 5.23.1 of the Tariff Regulations, before availing the above expenses.

2.18 Operation & Maintenance Expenses:

2.18.1 Operation & Maintenance (O&M) expenses comprise of repairs and maintenance including cost of consumables for that purpose and other administrative and general expenses. A total amount of Rs. 8505.95 lakh was allowed to DPL in ARR in this regard for the year 2010 – 2011 with following break up:

Sl. No.	Particulars	Amount allowed in ARR 2010-2011 (Rs. in Lakh)
1	Generation	7584.62
2	Distribution	921.33
	Total	8505.95

2.18.2 As per DPL's submission at Form E(B), the actual total expenditure incurred under different heads of operation and maintenance including rent, rates & taxes, legal charge, auditing fees and insurance charges came to Rs. 7497.83 lakh during 2010 – 2011. Such expenses have been categorised as controllable and, as such, the savings in total expenses are to be in the account of the licensee.

2.18.3 O&M expenses of generation for Rs. 7584.62 lakh was allowed in the tariff in accordance with the norms specified in Schedule 9A of the Tariff Regulations. Since, unit 1 (30 MW) of DPL was decommissioned with effect from 01.04.2010, the revised O&M expenses of the generating units is arrived at Rs. 7146.02 lakh as against Rs. 7584.62 lakh allowed in the tariff order in accordance with the norms in Schedule 9A of the Tariff Regulations proportionate to the capacity available for operation during 2010 – 2011.



2.18.4 Rates and taxes and insurance premium previously included under operation and maintenance expenses have been categorized as uncontrollable under Tariff Regulations, 2011 and have been considered separately under preceding paragraphs 2.16 and 2.17, the same are adjusted and the allowable operation and maintenance expenses is arrived at Rs. 7049.35 lakh [Rs. 7146.02 lakh – (Rs. 0.38 lakh + Rs. 96.29 lakh)] in the APR for the year 2010 - 2011. While determining the ARR of all the three ensuing years of second control period i.e., for 2008 – 2009, 2009 – 2010 and 2010 – 2011 in the tariff order for 2008 – 2009, the Commission directed that in case the actual expenses under repair and maintenance including consumable (R&M) head of distribution system is found to be less than the admitted amount of any of the three ensuing years, the Commission will allow actual expenditure under the said head in APR for the concerned year. The Commission admitted Rs. 604.85 lakh under the head of R&M in distribution for the year 2010 – 2011. It is found from the submission that the actual R&M expenses in distribution comes at Rs. 1697.21 lakh which is higher than the expenses as allowed in the tariff order. The Commission admits Rs. 921.33 lakh as allowed in tariff order for 2010 – 2011 on account of (O&M) expenses for distribution system as a controllable item. The Commission thus admits O&M expenses to the tune of Rs. 7970.68 lakh (Rs. 7049.35 lakh for generation and Rs. 921.33 lakh for distribution system) during the year 2010 – 2011.

2.19 Demurrage Charges:

2.19.1 DPL was allowed an amount of Rs. 205.44 lakh on estimation basis to take care of demurrage charges payable on unavoidable cases while unloading coal from rail wagons. Such estimated provision was not taken into accounts for working out the cost of coal. Actual amount of expenditure incurred by DPL in this regard as per audited accounts was for a total amount of Rs. 101.12 lakh. The Commission considers to allow the amount of actual expenditure as a charge to generation function.



2.20 Income from other Sources / Non-Tariff income:

2.20.1 The incomes from other non-tariff sources, as considered in the tariff order for the year 2010 – 2011 and as actually came as per audited accounts are found as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)	
		As considered in Tariff Order	Actual
1	Rental of meters etc.	88.84	67.00
2	Sale and repair of meters & apparatus	2.53	0.95
3	Income from investments and bank balances	5.90	6.23
4	Surcharge for late payments	21.32	582.29
5	Income from consumers job	39.49	90.03
6	Sale of Steam	177.66	175.43
7	Wheeling charges	0.00	49.81
8	Others	63.54	175.14
	Total	399.28	1146.88

2.20.2 The income from sale of steam amounting to Rs. 175.43 lakh is considered under generation function and the rest of the income of Rs. 971.45 lakh is attributed to distribution function. The Commission admits total income from other sources / non-tariff sources as Rs. 1146.88 lakh, the actual income submitted by DPL.

2.21 Income from Unscheduled Interchange (UI) of Power:

2.21.1 DPL earned an amount of Rs. 246.17 lakh during the year from the unscheduled interchange charges. In terms of regulation 5.17.3 of the Tariff Regulations, 2011, DPL being a distribution licensee is to share the amount of net income from U.I. charges with its consumers. The extent of such sharing shall be as decided by the Commission. The Commission decides that DPL share the entire amount of UI charge with its consumers, including WBSEDCL.



2.22 Amount withheld for non-submission of Performance Guarantee (PG) Test Report:

2.22.1 An amount of Rs. 4285.40 lakh and Rs. 4616.62 lakh out of its ARR for 2010 - 2011 was withheld due to non-submission of Performance Guarantee (PG) test report for Unit VII of its generating station. DPL submitted an application as in case no. OA-150/12-13 praying for waiver of submission of PG test report of the Unit VII for the reasons stated therein. The Commission in its order dated 16th August, 2012 in case no. OA-150/12-13 decides to waive submission of PG test report for Unit VII by DPL and not to withhold any amount from ARR of DPL for any ensuing year on this score. So, no amount has been withheld in the APR of DPL for 2010 – 2011 on this score.

2.23 Admissibility of Capacity Charges based on Availability:

2.23.1 In terms of regulation 5.4.2 of the Tariff Regulations, from the second control period, the recovery of capacity charge for all the generating stations of the licensee and generating company shall be against the normative availability. Schedule 9A of the Tariff Regulations provides for target Plant Available Factor (in short “PAF”) for coal fired thermal generating stations under which the target PAF of DPL has been recommended as overall 75%.

2.23.2 Unit I (30 MW) of DPL was decommissioned w.e.f. 01.04.2010. Considering the factors of units II to VII, the weighted average PAF during 2010 – 2011 has been derived at 76%. The Units III, IV & VII of DPL were shut down w.e.f. 06.12.2009, 20.06.2010 and 30.5.2010 respectively. The units were re-commissioned on 16.12.2010, 21.07.2010 and 29.08.2011 respectively. From the data submitted in Form 1.1(a), the actual weighted average PAF in respect of DPL during 2010 – 2011 is arrived at 41.33%. The Commission now decides to deduct capacity charges to the extent of shortfall in PAF achieved by DPL during 2010 – 2011 as under:



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Sl. No.	Particulars	Unit	Amount
1	Allowable Gross Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc. (as per Annexure – 2A)	Rs. in Lakh	44555.71
2	Normative PAF	%	76
3	PAF Achieved	%	41.33
4	Proportionate amount realizable as capacity charges	Rs. in Lakh	24230.10
5	Amount of Capacity Charges deductible for shortfall in PAF	Rs. in Lakh	20325.61

2.23.3 It is revealed from the paragraph 2.23.2 above that the Units III, IV and VII remained inoperative at a stretch for 375 days, 31 days and 456 days respectively. In terms of regulation 5.25.1 of Tariff Regulations, in case any asset of the generating station remained inoperative for more than 3 (three) months due to break down or force majeure events resulting in shortfall in achieving target availability for that generating station, then except employees' cost, interest on borrowed capital, depreciation and advance against depreciation, if any, the other fixed costs will be allowed to be recovered proportionately to the actual availability achieved against normative availability.

2.23.4 DPL is, however, entitled to recover certain capacity charges in terms of regulation 5.25.1 of the Tariff Regulations. Since neither the unit wise cost details are available, nor the amount admitted in APR for 2010 – 2011 is unit wise, the Commission decided to go by generation function as a whole to arrive at aggregate impact because of such inoperativeness and to deal it as per regulation 5.25.1 of Tariff Regulations.

2.23.5 The fixed charges made allowable so far for DPL in APR for 2010 – 2011 is regrouped for convenience of applying provisions under regulation 4.25.7 of the Tariff Regulations.



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Rs. in Lakh

Particulars	Amount allowable in APR for 2010 - 2011 on normative PAF	Amount of Capacity charge allowable on actual PAF during 2010-2011	Amount of Capacity Charge deductible for shortfall in actual PAF than targeted PAF during 2010 - 2011	Amount of Capacity Charge made allowable for inoperative units for more than 3 months as per regulation 5.25.1	Net amount not admitted for recovery of Capacity Charge
	A	B	C (A - B)	D	E
Employees cost	6371.32	3464.82	2906.50	2906.50	
Interest on Capital loan	8283.09	4504.48	3778.61	3778.61	
Depreciation	6028.23	3278.25	2749.98	2749.98	
Advance against Depreciation	2826.75	1537.23	1289.52	1289.52	
Other than specifically mentioned above	21046.32	11445.32	9601.00	-	9601.00
Total	44555.71	24230.10	20325.61	10724.61	9601.00

2.23.6 The net deduction of Rs. 9601.00 lakh is to be made from generation operation.

2.24 Fixed Charges as Admitted:

2.24.1 Based on the foregoing analyses, the amounts of net fixed charges allowable under different heads in respect of DPL have been shown in Annexure 2A. As shown in the referred annexure, the gross amount of fixed charges (less other income and UI receivable) for DPL for the year 2010 – 2011 come to Rs. 51691.95 lakh as against Rs. 56926.62 lakh allowed in ARR for 2010 – 2011.

2.24.2 The net amount of fixed charges for DPL for the year 2010 – 2011 has been derived after deducting item specified in paragraph 2.23 and the same comes to Rs. 42090.95 lakh. This has been shown in annexure – 2A with allocation to generating and distribution functions as Rs. 34779.28 lakh and Rs. 7311.67 lakh respectively.

2.25 Re-determined Fixed Charges:

2.25.1 The amount of admitted fixed charge in APR for 2010 – 2011 for DPL, as shown in Annexure – 2A, require to be adjusted with the amounts determined on APR in regard to fixed charges for the year 2008 – 2009. Such recoverable amount, vide paragraph 3.5 of Commission's order dated 26.07.2010 in Case No. APR-15/09-



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10 is Rs. 6729.72 lakh and the same is allocated to generation and distribution functions as Rs. 6419.14 lakh and Rs. 310.58 lakh respectively.

2.25.2 The amount of re-determined fixed charges for DPL for the year 2010 – 2011, after carrying out the adjustments in regard to fixed charges for 2008 – 2009 come as under:

Particulars	Amount in Rs. in Lakh		
	Generation	Distribution	Total
Net Fixed charges of 2010 – 2011 admitted for recovery in APR for 2010 – 2011	34779.28	7311.67	42090.95
Add: Fixed charges relating to 2008 – 2009 as appeared in the Tariff Order for 2010 - 2011	6419.14	310.58	6729.72
Re-determined fixed charges	41198.42	7622.25	48820.67



Annexure – 2A

Figures in Rs. in Lakh

Sl. No.	HEAD OF FIXED CHARGES	AS PER TARIFF ORDER			AS ADMITTED IN APR		
		GENERATION	DISTRIBUTION	TOTAL	GENERATION	DISTRIBUTION	TOTAL
1	Employee Cost (including centrally maintained employee expenses)	6533.99	1774.42	8308.41	6371.32	1945.54	8316.86
2	Water Charges	2160.22	25.48	2185.70	921.75	72.08	993.83
3	Coal & Ash Handling Expenses	1268.72	0.00	1268.72	731.62	0.00	731.62
4	Operation & Maintenance Expenses:	7584.62	921.33	8505.95	7049.35	921.33	7970.68
5	Rates & Taxes	0.00	0.00	0.00	0.38	0.00	0.38
6	Insurance Premium	0.00	0.00	0.00	96.29	0.00	96.29
7	Interest on Capital Borrowings	10136.62	1800.17	11936.79	8283.09	1461.71	9744.80
8	Finance Charges	708.10	124.97	833.07	816.14	13.55	829.69
9	Interest on Consumers' Security Deposit	0.00	24.72	24.72	0.00	26.49	26.49
10	Interest on Working Capital	0.00	0.00	0.00	1075.29	216.94	1292.23
11	Bad Debts	0.00	516.00	516.00	0.00	216.24	216.24
12	Depreciation	5861.02	1235.47	7096.49	6028.23	991.50	7019.73
13	Advance Against Depreciation	3545.73	0.00	3545.73	2826.75	0.00	2826.75
14	Reserve for unforeseen Exigencies	451.49	86.33	537.82	464.61	34.32	498.93
15	Intangible Assets Written Off	3.42	1.06	4.48	0.00	0.00	0.00
16	Demurrage	205.44	0.00	205.44	101.12	0.00	101.12
17	Income Tax	0.00	0.00	0.00	0.00	0.00	0.00
18	Returns	9944.49	2412.09	12356.58	9789.77	2629.59	12419.36
19	Gross Fixed Charges relating to 2009 - 2010 (1 to 18)	48403.86	8922.04	57325.90	44555.71	8529.29	53085.00
	Less: Adjustments on account of other Income:						0.00
20	Other Non-Tariff Income	241.89	157.39	399.28	175.43	971.45	1146.88
	Net receipt of UI Charges	0.00	0.00	0.00	0.00	246.17	246.17
	Total (20)	241.89	157.39	399.28	175.43	1217.62	1393.05
21	Gross Fixed Charge after adjustment of Other Income for 2010 - 2011 (19-20)	48161.97	8764.65	56926.62	44380.28	7311.67	51691.95
	Less: Deduction as per Regulations						
22	Amount withheld for non-submission of P.G. Test Report in 2010 - 2011	4616.62	0.00	4616.62	0.00	0.00	0.00
	Amount not released for non-submission of P.G. Test Report in 2008 - 2009	4285.40	0.00	4285.40	0.00	0.00	0.00
	Disallowance of fixed charges for non-achievement of target PAF	0.00	0.00	0.00	9601.00	0.00	9601.00
	Total (22)	8902.02	0.00	8902.02	9601.00	0.00	9601.00
23	Net Fixed Charges admitted (19-20)	39259.95	8764.65	48024.60	34779.28	7311.67	42090.95



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges, the re-determined allowable fixed charges during 2010 – 2011 for generation and distribution functions of DPL came as under:

Particulars	Amount (Rs. in Lakh)
Generation	41198.42
Distribution	7622.25
Total	48820.67

- 3.2 In its order dated 02.08.2012 in case no. FPPCA – 56 / 11 – 12, the Commission also re-determined the fuel and power purchase cost allowable to DPL totaling to Rs. 39559.94 lakh. The cost centre wise break-up of this total amount of Rs. 39559.94 lakh is as follows:

Particulars	Generation	Distribution	Total
Admitted fuel cost for own generation station	24535.04	-	24535.04
Admitted Power Purchase Cost	-	15024.90	15024.90
Total Fuel and Power Purchase cost	24535.04	15024.90	39559.94

- 3.3 As it comes out from above, DPL's total realizable sales revenue from its consumers and WBSEDCL during the year 2010 – 2011 comes as follows:

	Amount (Rs. in Lakh)
Fuel and Power Purchase Cost	39559.94
Fixed Charges	48820.67
Total	88380.61



- 3.4 Gains through Better Performance in Distribution Loss than the Norms:**
- 3.4.1 In terms of paragraph D of Schedule 9B of the Tariff Regulations, gains accruing to a distribution licensee due to its performance in distribution loss being better than the norms of distribution loss in any year may be retained by that distribution licensee in that year subject to gain sharing applicable separately for fuel cost of own generation as specified in paragraph A of Schedule 7A of the Tariff Regulations during Fuel and Power Purchase Cost (FPPC) determination. In terms of paragraph 3.3.2 of the Fuel and Power Purchase Cost Adjustment (FPPCA) order of DPL for the year 2010 – 2011 vide order dated 2nd August, 2012 in Case No. FPPCA – 56 / 11 – 12, DPL could save 1.82 MU for better performance in distribution loss than the norms and they have been allowed to retain the benefit for such savings amounting to Rs. 34.36 lakh during FPPCA determination for 2010 – 2011.
- 3.4.2 In terms of paragraph 3.3 above, the total admitted variable and fixed cost in APR for 2010 - 2011 of DPL for sale of energy to consumers and WBSEDCL and inter-plant transfer come to Rs. 88380.61 lakh for 1862.886 MU of energy (1585.432 MU + 246.333 MU + 31.121 MU) @ 474.43 paise / kWh. Units saved through reduction of distribution loss in 2010 – 2011 is 1.82 MU and therefore DPL is allowed to retain the revenue earned i.e., Rs. 86.35 lakh subject to adjustment of gain sharing accruing to them amounting to Rs. 34.36 lakh through the FPPCA order referred above. The net adjustment with the actual revenue realized from such savings in sale of energy to own consumers and WBSEDCL and inter-plant transfer comes to Rs. 51.99 lakh (Rs. 86.35 lakh – Rs. 34.36 lakh).
- 3.5 The Commission is now to see how much revenue had been earned by DPL from sale of power to its consumers and WBSEDCL including inter-plant transfer



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with reference to its audited accounts. The amount of total sales revenue comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Sales of power as per Schedule 'I' of Profit & Loss Account	66484.43
2	Add: Inter-plant transfer of Energy as per Profit & Loss Account	1016.04
	Total	67500.47
3	Less: 50% of net claim submitted by DPL on account of APR for 2009 – 2010, not yet admitted, provided in the Accounts of 2010 – 2011 (Refer para 21 of Schedule 'N' – Notes on Accounts)	11319.00
4	Add: Amount recoverable by DPL on account of APR for 2008 – 2009 included in the tariff of 2010 – 2011 but treated as revenue in the accounts of 2009 – 2010 (Refer para 21 of Schedule 'N' – Notes on Accounts)	6729.72
5	Less: Proportionate amount recovered from the consumers in 12/60 monthly instalments of Rs. 4060.09 lakh towards FPPCA for the financial years 2004 – 2005 and 2005 – 2006.	812.04
6	Less: Amount realized from savings in distribution loss from sale of excess energy to consumers as stated in para 3.4	51.99
	Sales revenue realized during 2009 – 2010 pertaining to this year	62047.16

3.6 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2010 – 2011 works out as under:

Sl. No.	Particulars	Total (Rs. in Lakh)
1	Variable cost admitted in FPPCA for 2010 - 2011	39559.94
2	Fixed cost in APR for 2010 – 2011	48820.67
3	Total sales revenue realizable in 2010 - 2011	88380.61
4	Actual Sales Revenue recovered for 2010 - 2011	62047.16
5	Net amount (+) recoverable / (-) refundable [5 = (3-4)]	26333.45



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- 3.7 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of Rs. 26333.45 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2012 – 2013 or that for any other ensuing year or through a separate order, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of DPL for the year 2012 – 2013 or any ensuing year or in a separate order.
- 3.8 DPL is to take a note of this order.

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATED: 24.08.2012