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**ORDER**  
**OF THE**  
**WEST BENGAL ELECTRICITY REGULATORY**  
**COMMISSION**

**IN CASE NO.: APR – 57 / 16 – 17**

**IN RE THE APPLICATION OF**  
**WEST BENGAL STATE ELECTRICITY**  
**TRANSMISSION COMPANY LIMITED**  
**FOR ANNUAL PERFORMANCE REVIEW**  
**FOR THE FINANCIAL YEAR 2015 – 2016**

**DATE: 28.04.2022**



Order on APR of WBSETCL for the year 2015-16

## Chapter – 1

### PREAMBLE

- 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, as amended (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'). West Bengal State Electricity Transmission Company Limited (hereinafter referred to as 'WBSETCL') submitted their application for Annual Performance Review for 2015 – 2016 on 30.11.16 in terms of the provision contained in Tariff Regulations. The application was admitted on 12.11.2020 and numbered as APR-57/16-17.
- 1.2 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performance and projected performance under different factors/ heads of accounts.
- 1.3 WBSETCL is one of the successor entities of erstwhile West Bengal State Electricity Board (in short 'WBSEB') and came into being with effect from 01.04.2007. It is engaged in the business of transmission of electricity and management of the State Load Despatch Centre in terms of West Bengal Power Sector Reform Transfer Scheme, 2007, notified by the Department of Power and Non-conventional Energy Sources, Government of West Bengal vide Notification No. 12-PO/O/III/3R-29/2006 dated 25.01.2007 followed by subsequent modifications made through Notification No. 313-PO/O/III/3R-29/2006 dated 19.09.2008. The instant application of WBSETCL for APR for 2015 – 2016 is its second application of the fourth control period based on audited annual report and accounts for the year 2015 – 2016. The adjustments as may arise out of the review of the instant application with reference to the aforesaid audited annual report and accounts and the Commission's MYT order dated 04-03-2015 and tariff order dated 22.06.2015 for WBSETCL for 2015 – 2016 in Case No. TP-60/13-14 will be considered for giving effect while determining the amount of





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revenue recoverable through tariff order of ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.

- 1.4 The APR is to cover the annual fixed charges allowed to the applicant, incentives and the effect of gain sharing as per Schedule-10 and Schedule 9B to the Tariff Regulations. Element of performance incentive or gain sharing on account of achieving better operational norms, however, was not considered for WBSETCL while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2015 – 2016 in terms of the referred schedules to the Tariff Regulations. The APR for the year 2015 – 2016 is, therefore, the review of the different factors elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBSETCL through its ARR for the year 2015 – 2016 vis-à-vis the actuals as per the audited accounts. In terms of regulation 2.5.5 of the Tariff Regulations, the variations arising out of uncontrollable factors / expenses are to be passed through the tariff in an appropriate manner as may be decided by the Commission. The variations arising out of the controllable factors shall, however, be on account of the licensee subject to specific directions given in the respective tariff order. The instant application of WBSETCL is being re-viewed in the subsequent parts of this order.
- 1.5 WBSETCL submitted the required data / information in the formats specified by the Commission and also a copy of its audited Annual Report and Accounts for 2015 – 2016. WBSETCL also submitted additional information / data through their letters vide memo no. Dir(Op)/WBSETCL/RAC/1(VII)/68 dated 14.02.2017 and memo no. Dir(Op)/WBSETCL/RAC/1(VII)/84 dated 15.05.2017. The application of APR for 2015 – 2016 along with the additional information / data submitted vide letters dated 14.02.2017 and 15.05.2017 have been admitted by the Commission. The detailed review of its performances is being taken up in the subsequent parts of the order. The review will involve examination of the expenditures incurred under different heads of fixed charges for ascertaining the admissibility of such expenditures in terms of the Tariff Regulations.
- 1.6 WBSETCL was directed to publish, in terms of regulation 2.6.12 of the Tariff Regulations, the gist of the APR application 2015 – 2016, as submitted by WBSETCL and approved by the Commission, in at least four daily newspapers having wide circulation in the area of WBSETCL at least one each of such newspapers being in Bengali and English and also on



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the website of WBSETCL. The gist was accordingly published simultaneously on 28.11.2020 in the 'Anandabazar Patrika', the 'Ajkal', the 'Bartaman', 'The Telegraph' and 'Millennium Post'. The publication invited the attention of all interested parties, stakeholders and the members of the public to the application for APR for the year 2015 – 2016 of WBSETCL and requested for submission of objections, comments etc., if any, on the application to the Commission by 21 days, i.e., 18.12.2020 at the latest. The approved gist along with the APR petition for 2015 – 2016 was also published on the website of WBSETCL. Opportunities were also afforded to all to inspect the application and take copies thereof.

- 1.7 No comment, suggestion, objection on applications for APR for the year 2015 – 2016 of WBSETCL has been received during the stipulated time i.e., 18.12.2020.
- 1.8 Subsequently Commission has raised certain queries to WBSETCL against their APR petition vide letter no WBERC/APR-57/717 dated 17-06-2021 and WBERC/APR-57/16-17/922 dated 02<sup>nd</sup>/ 5<sup>th</sup> August 2021. Against such queries WBSETCL replied vide their letter vide no. Dir(Op)/WBSETCL/RAC/1(ix)/316 dated 24.08.2021 and Dir(Op)/WBSETCL/RAC/1(ix)/317 dated 24.08.2021.
- 1.9 WBSETCL challenged the MYT order of 2014-15 to 2016-17 before the Hon'ble Appellate Tribunal (APTEL). Subsequently, they had withdrawn the case from Hon'ble APTEL. WBSETCL has submitted a petition before the Commission for review of tariff order dated 04.03.2015 determining the ARR for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 in Case No. TP – 60/ 13 – 14. The case has not yet been finalized. Thus, the principles adopted in the tariff order will be followed in this APR determination stage also.





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## Chapter – 2

### FIXED COST DETERMINATION UNDER APR

- 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 ARR for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amount 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.
- 2.2 A summarized position of the amount claimed and allowed in the tariff order and this APR order towards fixed cost is provided in Table 2A. The summarized position is captured below:

Table 2A

Sl. No.	Item head	Amount admitted in Tariff Order 2015-2016	Amount claimed in APR 2015-16	Rs. in Lakh	
				As admitted in APR 2015-16	Reference
1	WBSETCL	105165.73	111436.20	109318.85	Paragraph 3.16
2	SLDC	1953.57	793.89	784.52	Paragraph 3.16
3	<b>Overall</b>	107119.30	112230.09	110103.37	Paragraph 3.16

The permitted amount of expenses/ charges under such different heads of accounts are being determined after prudent check for carrying out positive or negative adjustments under Annual Performance Review in the following paragraphs.

### 2.3 Employee Cost:

- 2.3.1 In the tariff order for 2015-16, an amount of Rs. 19304.59 lakh was admitted towards employee cost having elements like salaries, wages, allowances, bonus, contribution to P.F. etc. as well as staff welfare expense. In the APR petition for 2015-16, employee cost amounts to Rs. 17052.54 lakh as per Note 19 of annual accounts of 2015-16 inclusive of whole-time directors' fees and after netting the expenses of Rs. 3022.24 lakh for capitalization (vide note 19 of annual accounts). As per Annexure V of petition, (auditors' certificate on other expense), prior period expenses is of Rs (-) 0.39 lakhs. The said



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Annexure also refers directors' fees of Rs 17.91 lakhs on account of other expenses which will also be part of Employee Cost in terms of regulation 5.9.1 of the Tariff Regulations. Thus the total amount claimed is Rs 17070.06 lakh (Rs. 17052.54 lakh - Rs. 0.39 lakh + Rs. 17.91 lakh).

- 2.3.2 In the year 2015 – 2016, the number of employees in WBSETCL is 2382 as revealed from WBSETCL's letter dated 15-05-2017 against the total transmission line of 12573.32 CKM. Thus, the manpower number per CKM is 0.19. This is well within the recommended norms of 0.35 as specified in schedule – 9A of the Tariff Regulations. As the man /CKM ratio is being satisfied, thus Commission admits the uncontrollable item of Employee cost of Rs. 17070.06 lakh.

From page 42 of volume II of APR Petition of WBSETCL, it is understood that a part of expenses related to pension and gratuity (terminal) benefit expenses of employees were transferred to WBSEDCL from WBSETCL. Further, from the application it is observed that due to shortfall of funds, State Government had approved part payment of Pension and Gratuity liabilities from WBSEDCL Employees' Pension and Gratuity Trust to WBSETCL Employees' Pension and Gratuity Trust. The Commission, vide letter no WBERC/APR-57/16-17/922 dated 2<sup>nd</sup>/5<sup>th</sup> August 2021, directed WBSETCL and WBSEDCL to confirm through a signed reconciliation statement that there is no double claim due to such non-payment on the part of WBSEDCL. It was also directed that the reconciliation statement should reveal the amount payable and amount paid for the transferred employees.

In reply to the letter no vide no WBERC/APR-57/16-17/922 dated 2<sup>nd</sup>/5<sup>th</sup> August 2021 WBSETCL vide the letter no Dir(Op) /WBSETCL/RAC/1(ix)/317 dated 24-08-2021 has submitted certain portions of actuarial valuation report, jointly signed by WBSEDCL and WBSETCL, with respect to relevant portions of the terminal benefit funds for the persons transferred to WBSETCL. WBSETCL also mentioned that there is no possibility of double claim. It is seen from the submission that the actuarial valuation of WBSETCL terminal benefit has been done after adjusting the receivable portion from WBSEDCL. Thus, there is no apparent double claim on this account in 2015-16.

- 2.3.3 Within the above total claimed amount of Rs. 17070.06 lakh, the allocation for SLDC is Rs. 402.63 lakh on the head of salary and terminal benefits of SLDC. Thus, the allocated





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amount to WBSETCL for its transmission business stands to Rs. 16667.43 lakh (Rs. 17070.06 lakh – Rs. 402.63 lakh) Thus, the break-up of the employee cost admitted for the year 2015 – 2016 is given in the Table 2B below:

**Table – 2B**  
**Employees Cost**

Sl. No.	Particulars	Allowed in Tariff Order 2015-16	As per Claim in APR petition of 2015-16 and Audited Accounts	Rs lakhs		
				Admitted in APR		
				WBSETCL	SLDC	Transmission Business
1	Salaries, Wages & Bonus		16541.76	16541.76	402.63	16139.13
2	Staff Welfare Expenses		538.62	538.62		538.62
3	Contribution to Provident & Other Funds		2994.40	2994.40		2994.40
4	Less: Employees Cost Capitalised	19304.59	3022.24	3022.24		3022.24
	<b>Sub-Total</b>		<b>17052.54</b>	<b>17052.54</b>		<b>16649.91</b>
5	Director's Fees & Expenses		17.94	17.91		17.91
6	Prior period expenses		0.39	-0.39		-0.39
	<b>OVERALL EMPLOYEE COST</b>	<b>19304.59</b>	<b>17070.06</b>	<b>17070.06</b>	<b>402.63</b>	<b>16667.43</b>

## 2.4 Determination methodology of permissible expenses sensitive to line length:

2.4.1 In the multi-year tariff order of the fourth control period for different years inclusive of 2015-16, the expenditures for different heads which are sensitive to business volume parameters had been projected by the Commission on the basis of trend of inflation as well as the business volume growth of the previous years vis-à-vis the expenditure projected by WBSETCL. For this purpose, a hybrid index (HI) consisting of 60% and 40% weightage on WPI (Wholesale Price Index) and CPI (Consumer Price Index) respectively has been used by the Commission. Using such hybrid index, the Commission find out the principle of cost determination of different items in the following steps:

- When expense growth rate or CAGR of past period exceeds the concerned inflation rate of the said period in such case annual escalation rate for projected expenditure of any year due to business volume increase is computed from past trend of growth rate by reducing it with the concerned inflation rate of the relevant past period by applying the following formula.



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Annual escalation rate (%) for any ensuing year =  $A + R \times BGR + Ad\_F$

Where

A = Inflation rate (%) based on CPI or WPI or HI as applicable for the fixed charge element.

R = Ratio of percentage annual increase in expenses in the past period and percentage increase in business volume parameter during the same period.

BGR = Projected growth rate (%) for ensuing year of the business volume parameter to which the fixed charge element under consideration is sensitive.

Ad\_F = Additional float in % as decided by commission to provide insulation against uncertainty in projected inflation or business volume growth.

- ii) When expense growth rate or CAGR of past period is less than the concerned inflation rate of the said period in such case annual escalation rate trend of past period simply used for future projection without considering any inflation rate.
- iii) As per paragraph 7.5 of the MYT order in 2014-15 it has been mentioned that the value of R used in the MYT order will also be applicable in this APR order for 2015-16.

2.4.2 In this APR stage, regarding expenses of those heads, the Commission considers actual line length in Circuit Kilometer (CKM) of the network as the business volume parameters on which expenses are sensitive and the actual inflation rate based on hybrid index (WPI+CPI) in line with principles of the tariff order for the fourth control period. On same line with the principles adopted in the tariff order, sensitivity of different elements of fixed charges is also considered in this APR. The business volume parameter to which expenses are sensitive and inflation rate considered in the evaluation under Tariff order and APR are given in Table 3C below:

Table-2C





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Particulars	Tariff Order (Estimated Value)	APR Order (Actual Value)	Variation in %
Line Length in CKM	13031	12573.32	-3.51
WPI in %	6.62%	-2.47%	-137.31
CPI in %	9.15%	5.65%	-38.25
Inflation in hybrid index [WPI : CPI (60 : 40)] in %	7.63%	0.78%	-89.81
Please see WPI and CPI detail in Annexure-1			

2.4.3 The line length in the base year of 2013-14 under the MYT order and as per annual accounts of 2013-14 has been provided in the Table-2C(i):

Table-2C(i)

Particulars	Unit	MYT Order	Annual Accounts
Line Length	CKM	11951	11844

In the MYT Tariff order dated 04.03.2015 of the fourth control period the Commission comes out with specific order where the trueing up of controllable O&M expenses has to consider an additional specific direction provided in paragraph 4.2.5 of the order.

As per above directions, if the actual business volume parameter at the end of the base year 2013-14 of the fourth control period is higher than the figure of 2013-14 as estimated in MYT tariff order then that enhanced value will be considered in APR determination for 2015-16.

Since the actual figure of line length for 2013-14 as per annual accounts is less than the corresponding value (i.e. estimated value of 2013-14) considered in MYT order for 2013-14, no adjustment is thus required to be done for target business volume parameter for 2015-16 in line with para 4.2.5 of the MYT Order dated 04.03.2015.

The line length in base year of 2014-15 under the MYT order and as per annual accounts of 2014-15 has been also provided in the Table-2C(ii):

Table-2C(ii)

Particulars	Unit	MYT Order	Annual Accounts
Line Length	CKM	12479	12043



2.4.4 The determination process of all the expense for controllable item of WBSETCL does not require any normative parameters. Thus, in such case if the actual expense of any item is less than the amount admitted for that item in tariff order, then in such case actual expenses will be admitted in this APR order for that item in pursuance to the clause (i) of regulation 2.6.10 and 2.5.5(ii). Accordingly, for controllable items for 2015-16 the permissible expenses as admitted are shown in the following paragraphs.

**2.4.4.1 Repair & Maintenance (R&M) Expenses:**

- (i) In the APR application of 2015-16, the actual expenditure shown by WBSETCL is Rs. 4779.75 lakh as shown in paragraph 2.0(i)) of APR application which is also the claimed amount and which includes prior period expenditure of Rs 263.45 lakh. For prior period expenditure in R&M head of Rs.263.45 lakh, auditor's certificate is provided in Annexure V of Volume 2 of the APR Petition. WBSETCL has not mentioned the year for which such prior period is claimed. Further, no explanation has been provided for allowing such cost even though the cost for each of the earlier years has already been allowed by the Commission in APR order of the respective years. In the absence of breakup of the prior period expense against the concerned years, the Commission cannot take a call whether such amount for prior period R&M expenses can be allowed since R&M expenses is a controllable item. The Commission also had admitted Rs 4091.84 Lakhs as normative R&M cost in the tariff order for 2015-16.
- (ii) In addition, WBSETCL has also claimed an amount of Rs 636.17 Lakhs on the ground of repair & maintenance for new expansion works in 2015-16 in line with the direction of the Commission in paragraph 4.2.1(c) of the tariff order for 2015 – 2016. The detail of such expenses was given in Annexure-IV(A) of Volume -II in their petition.
- (iii) WBSETCL has insisted that the capacity addition in MVA is to be considered as business volume growth. Accordingly, the admissible repairs and maintenance cost including new expansion works would come to Rs 5408.26 lakh. However,





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WBSETCL's claim could not be accepted as line length in CKM has already been considered as business volume parameter for projection of expenses of R&M in the MYT order for the fourth control period. Thus, at the APR stage no new principle can be adopted in view of the principles specified under regulation 2.8.9.5 of the Tariff Regulations.

- (iv) It is observed that there is no variation in the estimated Transmission Line Length and actual Transmission Line Length for the year 2013 – 2014. Thus, no adjustment on account of paragraph 4.2.5 of the tariff order is required. As R&M expenses is controllable item and no change has been foreseen in volume parameter i.e. line length remains same as it was in 2013-14, therefore the R&M expenses has been capped at the admitted amount of the tariff order, i.e., of Rs 4091.84 against the line length of 13,031 CKM. The Commission also noted from the audited Annual Accounts of SLDC that repair and maintenance expenditure for SLDC during the year 2015 - 2016 comes to Rs. 43.72 lakh. Thus, breakup of the repair and maintenance cost is given in the Table -2D below:

Table-2D

Sl. No.	Particulars	Allowed in Tariff Order 2015-16	Claimed in APR Petition	Admitted in APR	
				SLDC	WBSETCL
1	Repair & maintenance Expenses	4091.84	4779.75	43.72	4048.12

However, it is to be noted that this R&M expenses for new expansion work shall not be considered as a part of Controllable item of R&M expense as approved in the tariff order. Thus, the above expenses for new expansion works is to be considered as a separate item in pursuance of the specific directions provided in paragraph 4.2.1 (c) of the tariff order.

- (v) In this context, please refer to paragraph 4.2.1 (c) of the tariff order where it was shown that in 2013-14 (base year), the estimation of R&M expenses was Rs 3955.81 lakhs by WBSETCL which includes also the expenditure towards R&M of new expansion work. Whereas the Commission's estimation for 2013-14 on R&M expenses was Rs 3564.01 Lakh. The Commission opined that "it is to be noted that



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if there be inclusion of expenditure towards repair and maintenance of new expansion work in the amount of Rs 3995.81 lakhs estimated by WBSETCL, in that case WBSETCL shall submit details separately in an appropriate manner in the APR for 2014-15".

In the APR order of 2013-14, the Commission has also not allowed any additional expenses for R&M work for new installation. No adequate explanation for additional R&M work in 2014-15 for new installation has been provided either in the APR petition of 2014-15 or in the letter dated 25.02.2020 related to APR petition of 2014-15. Since in APR order of 2013-14, the Commission has not provided any additional expenses for R&M work related to new installation, thus no additional expenses for new installation had been admitted in APR order of 2014-15 to WBSETCL. Similarly, in the APR Application of 2015-16, Commission cannot admit any additional expenses in R&M head for new expansions.

#### 2.4.4.2 Administrative and General (A&G) Expenses:

The A&G expenses of WBSETCL as submitted in its APR applications against the admitted value in tariff order of 2015-16 is shown in the Table- 2E and subsequent paragraph:

Table-2E

Elements of A&G Expenses	Amount Admitted in Tariff Order	Amount Claimed in APR Petition *
Rent	97.23	151.60
Legal Charges	2.89	55.51
Auditor Fees & Expenses	71.36	48.25
Other Administrative & General Expenses including Consultancy Charges	1022.17	1238.98
Licence / filing fee	217.86	221.62
<b>Total</b>	<b>1411.51</b>	<b>1715.96</b>

\* See Annexure-1 of Volume II of APR Petition

A&G expenses have four major elements of Rent, Legal Charges, Audit fees & expenses and Other Administrative & General Expenses. On scrutiny of Annexure-1 in Volume II of the APR petition, the head "Other Administrative & General expenses" includes





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'licensee/filing fees', 'consultancy charge' and 'service & entry tax' as uncontrollable items and 'others' as controllable item. As per regulation, Other Administrative & General expenses together with rent, legal charges, audit fees & expenses are parts of the A&G expenses and the variation of actual expenses corresponding to the admitted amount in tariff order is permissible to the extent allowed under regulation 2.5.5(iv) only. In line with regulation 2.8.9.5 of the Tariff Regulations, at this APR stage the same principle which was followed in MYT tariff order of fourth control period has been followed considering 'consultancy charge' and 'others' as elements under other Administrative and General Expenses. Since 'licensee/filing fees' and 'service & entry tax' are statutory in nature, these are not treated under other Administrative and General Expenses.

The Administrative and General Expenses is a controllable item where no normative parameter is used. As per clause (i) of regulation 2.6.10 and 2.5.5(ii), for expenses for any controllable item where operational norms is not used for calculation of permissible expenses no additional expenses over the amount permitted in tariff order will be allowed in the APR order. **Thus, in case actual expenses at APR determination stage is less than the amount permitted in tariff order, the Commission will take actual amount for consideration.** From the Table 2E, it has been seen that the actual A&G expenses incurred in 2015-16 is Rs 1494.34 lakh excluding 'licensee/filing fees' of Rs 221.62 lakh 1715.96 – 221.62). Since A&G expenses is controllable item, the permissible expenses under this APR cannot exceed the value of Rs 1193.65 lakhs which was the admitted value in the concerned tariff order in accordance with clause (i) of regulation 2.6.10 and 2.5.5(ii). In fact, Table-2C shows that the transmission licensee has all the parameters in its favour. **Thus, the admitted expenses under this APR for A&G expenses in 2015-16 is Rs 1193.65 lakhs i.e Rs. (1411.51 – 217.86) lakhs.**

For prior period expenditure on A&G head of Rs.344.09 lakh, auditor's certificate is provided in Annexure V of Volume II of the APR Petition. In the reply vide no Dir(Op)/WBSETCL/RAC/1(ix)/316 dated 24-08-2021, WBSETCL has provided the years of such prior period expenses along with the amount mentioned for the respective year. WBSETCL has also mentioned that such amount of Rs 344.09 lakh has not been claimed under any head of the APR petition of 2015-16. Thus, Commission is not considering such amount under this APR order as it has not been claimed. However, if such amount is claimed in any future APR or Tariff application then WBSETCL shall also ask their claim against each



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past year separately, along with the amount admitted for A&G expenses in the MYT order and APR order of that concerned year. Such statement shall also be supported with auditor's certificate that such claimed amount has not been claimed in the APR petition of the concerned year. As A&G expenses is controllable item as per table 2.5.5-1 of Tariff Regulations, above information is required so that that prior period-expenses on A&G head can only be considered for treatment for any year to the extent it is permissible upto the limit of amount approved in the concerned MYT order on A&G head, subject to other prudence check.

On scrutiny of the table it has been found that out of four elements of the item, only in audit fees & expenses head the expense has been reduced by Rs 23.11 lakhs whereas in other four elements expenses have exceeded by Rs 807.39 lakhs. Thus, the re-distribution of excess expenses from all the three items to audit fees & expenses has not been shown separately by applying regulation 2.5.5(iv) of this Tariff Regulation which was required if the actual total expenses would have been less than Rs 1193.65 lakhs.

It is also noted from the audited accounts of SLDC, the actual A&G Expense related to SLDC under this head is Rs. 44.87 lakhs (Annexure-II of Volume II of APR Petition) against the WBSETCL's overall claim of Rs 1494.34 lakhs under A&G head. As the overall amount of A&G expenses admitted for WBSETCL in APR of 2015-16 is Rs 1193.65 Lakhs thus, such expense is allocated between SLDC function and license business proportionately on the basis of actual expenses. Thus, the admitted amount considered for SLDC business is Rs 35.52 lakhs and for WBSETCL's business it is Rs 1158.13 lakhs. Thus, the admitted amount on A&G expenses for APR of 2015-16 is as per following table 2F.

Table-2F  
ADMITTED A&G EXPENSES FOR 2015-16

Particulars	WBSETCL (Rs Lakhs)	SLDC (Rs Lakhs)	Total for WBSETCL (Rs Lakhs)
A&G Expenses	1158.13	35.52	1193.65

#### Licence / filing fee

The Commission admits 'licensee/filing fees' of Rs 221.62 lakh as claimed at actuals for transmission business of WBSETCL.





### Service Tax and Entry Tax

Service & entry tax, an indirect tax element being a function of O&M expenses, is provided along with Rates and Taxes, dealt in para 2.4.6 of this order.

#### 2.4.5 Outsourcing Expenses:

The admitted amount of expense for any uncontrollable item of WBSECTCL will be determined in pursuance of the regulation 2.5.5(i) and para 7.5 of the MYT Order dated 04.03.2015 where such item has been declared sensitive to the business volume parameter namely line length of the network of WBSETCL. Such type of uncontrollable item for WBSETCL is Outsourcing expenses (related to manpower and vehicle hiring) cost, Rates and Taxes and Insurance.

2.4.5.1 WBSETCL has claimed Rs. 2436.50 lakh under cost of outsourcing as expense towards 'security service charges' and 'vehicle hiring expenses' against the admitted amount of Rs. 2567.99 lakh in the ARR of tariff order.

From the Table-2C, it is found that the actual transmission line length for the year 2015 – 2016 is 12573.32 CKM against the estimated 13031 CKM in the Tariff order. Thus, in accordance with the direction in paragraph 7.5 of MYT Tariff order of 4<sup>th</sup> Control period, the formula described in paragraph 2.4.1 of this order will be used to determine the permitted amount in the tariff order on the basis of actual inflation rate and actual line length instead of the projected value. Under security expenses head, the escalation rate as determined by using the formula of paragraph 2.4.1 comes to 6.80% ( $5.65\% + 0.26 \times 4.41\% + 0$ ) on the basis of actual inflation rate of 5.65% as per CPI index (the index on which such expenses is sensitive) as well as considering nil value for Ad\_F in terms of principles set out in paragraph 2.4(iii) and value of Ad\_R in the tariff order. Considering the above growth on the value of expenditure on security of Rs 1689.58 lakhs considered for 2014-15 in APR order, the security expenses for 2015-16 comes to Rs. 1804.40 lakhs. As the actual expense of Rs. 1716.67 lakhs is lower than the worked out amount, the admitted amount under this head for 2016-17 is Rs 1716.67 lakhs.



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Under vehicle expenses head, WBSETCL has claimed Rs. 719.83 lakh. The Commission applying the same principle decides to allow to the extent of amount admitted in Tariff Order i.e. Rs 704.40 lakh as admitted amount in APR 2015-16 of WBSETCL.

Thus, after applying actual inflation rate and actual line length of network in 2015-16, the permissible amount as per principle adopted in tariff order stands to Rs 2421.07 Lakhs (Rs 1716.67 lakhs + Rs 704.40 Lakhs) against the admitted amount of Rs. 2567.99 lakh in the ARR of tariff order. Thus, the amount admitted by the commission is Rs 2421.07 Lakhs under the outsourcing head.

From the audited accounts of SLDC in the Volume - III of the petition, it is observed that security expense and vehicle hiring costs related to SLDC activities are Rs. 6.47 lakh and Rs. 11.34 lakh (Rs 4.94 lakh of vehicle running expenses+ Rs 6.40 Lakh of vehicle hiring charges) respectively.

Accordingly, the Outsourcing Expenses (Related to Manpower and Vehicle hiring) are as noted below :

**Table 2G**  
**Admitted Outsourcing Expenses in 2015-16**

Rs. Lakhs

Expense Head	Approved in tariff order for 2015-16	As Claimed in APR application for 2015-16	As Admitted in APR for 2015-16		
			WBSETCL	SLDC	Transmission Business
Security Expenses	1863.59	1716.67	1716.67	6.47	1710.20
Vehicle Expenses	704.40	719.83	704.40	11.34	693.06
Total Outsourcing	2567.99	2436.50	2421.07	17.81	2403.26

#### 2.4.6 Rates & Taxes (Other than on Income & Profit):

WBSETCL has claimed an amount of Rs. 126.17 lakh on account of municipal taxes in APR application for 2015 – 2016. The principle adopted in the MYT order is for projection purpose. Since municipal tax is statutory provisions thus total claim of Rs 126.17 Lakhs is being admitted. However, no amount under this head is found to be admissible for SLDC





Order on APR of WBSETCL for the year 2015-16

(as per audited accounts). Service & entry tax, which has been reduced from A&G expense above, is considered for admission under this head. WBSETCL has claimed Rs. 258.75 lakhs for service & entry tax in 2015-16, which has been admitted at Rs. 217.98 lakhs on proportional basis considering claimed amount of O&M expenses in the petition of Rs. 6274.09 lakhs (Rs. 4779.75 lakhs for R&M + Rs. 1494.34 lakhs for A&G) and admitted amount vide para 2.4.4.1 and 2.4.4.2 above of Rs. 5285.49 lakhs (Rs 4091.84 lakhs for R&M + Rs 1193.65 lakhs for A&G). Therefore, the breakup for the admitted amount of Rs. 126.17 lakh on account of Rates and Taxes (other than on Income & Profit) and Service & entry tax are given in the following table:

**Table-2H**  
**Admitted Rates & Taxes in 2015-16**

Sl. No.	Sub-heads/ Heads	Allowed in Tariff Order 2015-2016	Claimed in APR Petition of 2015-16	Admitted in APR of 2015-16			Rs. Lakh
				Total of WBSETCL	SLDC	Transmission Business	
1	Rates & Taxes other than service & entry tax	128.55	126.17	126.17	-	126.17	
2	service & entry tax	171.24	258.75	217.98		217.98	
3	Total	299.79	384.92	344.15		344.15	

#### 2.4.7 Insurance Premium:

In the tariff order for 2015 – 2016 on this head nothing has been admitted. On scrutiny of the annual accounts, it reveals that the actual expense under the head was also nil.

### 2.5 Uncontrollable Expenses not linked to Business Volume parameters

#### 2.5.1 Interest on Borrowed Capital

- (i) **Interest on Borrowed Capital Loan:** In the tariff order for 2015 – 2016, an amount of Rs. 23942.07 lakh was allowed as interest on borrowed capital. The net amount of interest expense booked in the annual accounts for 2015 – 2016 is Rs. 22113.78 lakh vide Note no. 20. In accordance with Form 1.17 and Form E(T) against loans as shown in Form – C to Annexure – I of the APR application for 2015-16 WBSETCL has claimed a sum of Rs. 17970.95 lakh for interest charges on borrowed capital of WBSETCL, as under:



Order on APR of WBSETCL for the year 2015-16

**Table – 2I**

Sl. No.	Borrowing Sources	Interest claimed in Form C (Rs. in Lakh)
1	Market bonds for creation of pension fund (12.00%)	0.02
2	Market bonds for creation of pension fund (8.50%)	2295.00
3	Secured redeemable non-convertible bond (9.75%)	811.55
4	Secured redeemable non-convertible bond (10.29%)	2578.28
5	PFC Limited	271.97
6	REC Limited	7450.90
7	L.I.C.I. Limited	1154.02
8	Term loans from Allahabad Bank	1310.38
9	Term loans from ICICI Bank	359.74
10	NABARD	1858.92
11	Working capital loan from Canara Bank	1847.82
12	Govt. of West Bengal	7152.78
13	Normative loan	4190.16
14	<b>Total(Summation of 1 to 12)</b>	<b>31281.54</b>
15	Less : Interest capitalization	4977.61
16	Less : Interest on Pension Bond	2295.00
17	Less : Interest on Normative loan	4190.16
18	Less : Interest on working capital loan from Canara Bank	1847.82
19	<b>Interest chargeable to Revenue Account [18 = (13)-(14)-(15)-(16)-(17)-(18)]</b>	<b>17970.95</b>

Thus WBSETCL's above claim of Rs. 17970.95 lakh as interest does not contain the claim of interest on working capital loan for Rs. 1847.82 lakh, interest on normative loan for Rs. 4190.16 lakh and interest on pension bond for Rs. 2295.00 lakh. The said claim has been admitted.

- (ii) **Interest on Normative Loan:** WBSETCL has claimed a sum of Rs. 4190.16 lakh towards interest on normative loan. WBSETCL has also mentioned that in APR order dated 10.06.2014 for the year 2012-13 "Commission has erroneously considered the addition to fixed asset for 2007-08 as zero". Also considering APR Order of 2013-14, it is found out that WBSETCL has made addition to debt of Rs. 265712.47 lakh during the years from 2007 – 2008 to 2015 – 2016 while actual addition to fixed assets is worked out to Rs. 349749.84 lakh during that period as shown in the table below:

**Table-2J**





Order on APR of WBSETCL for the year 2015-16

Year	Actual addition to debt	Actual addition to Fixed Assets
2007 – 2008	29249	0
2008 – 2009	23427	32637.1
2009 – 2010	54041	70342.68
2010 – 2011	11443	24742.55
2011 – 2012	38652	23698.7
2012 – 2013	6309.37	45400.13
2013 – 2014	18113.73	42158.59
2014 – 2015	38655.02	49709.04
2015 – 2016	45822.66	61061.05
<b>Total</b>	<b>265712.47</b>	<b>349749.84</b>

On this issue the Commission has already provided its views in the APR order for earlier year. The Commission has expressed his views also in the order dated 10.06.2014 in the case no. APR(R)-4/13-14 for review of APR order dated 09.09.2013 for 2011 – 2012. Since actual addition to debt during the above period is higher than 70% of addition to the fixed assets during this period, WBSETCL is not entitled to get the interest on normative loan. The Commission does not admit any amount on account of normative interest for the year 2014 – 2015.

- (iii) On the basis of (i) and (ii) as interest on normative debt has not been allowed, the amount admitted amount by the Commission on the head of interest on borrowed capital comes to Rs. 17970.95 lakh for APR of 2015-16. In this context APTEL decision in Appeal No.237 of 2014 dated 23.11.2015 upholding the Commission's Order, dated 10.6.2014, in Case No. APR-37/13-14 is referred.

#### 2.5.2 Interest on Bonds for creation of Pension Funds:

WBSETCL has claimed Rs. 2295.00 lakh in their APR petition on the head of interest on Bonds for Creation of Pension Funds which was same as that in tariff order. This amount comes within their entitlement as it is a part of the order for restructuring process of erstwhile WBSEB. Accordingly, the Commission admits Rs. 2295.00 lakh under this head in APR 2015 – 2016.

#### 2.5.3 Interest on Working Capital:



Order on APR of WBSETCL for the year 2015-16

- (i) In the ARR for 2015 – 2016, WBSETCL has claimed an amount of Rs. 1292.44 lakh on normative basis as interest on working capital loan against Rs. 523.95 lakhs admitted in the tariff order. But in Form C of Volume II, the interest on working capital loan has been shown as Rs. 1847.82 Lakh from Canara Bank.
- (ii) WBSETCL obtained short term specific loan from Canara Bank to meet up its working capital needs. As per their submission in form 1.17(b) and in terms of Form – C of Annexure – I, the rate of interest of such loan as mentioned by WBSETCL is 9.65%.
- (iii) In terms of regulations 5.6.5.1 of the Tariff Regulations, working capital requirement on normative basis is @ 18% on the base amount derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc. The short-term PLR rate of State Bank of India as on 1<sup>st</sup> April of the year preceding the year for which tariff is proposed to be determined was 14.75% per annum as on 01.04.2015 . During APR, in terms of regulation 5.6.5.2 of the Tariff Regulations, interest on working capital will be allowed on the amount so assessed on normative basis or actual amount of interest paid, whichever is less. The Commission thus has considered normative Interest on working capital at the rate of 14.75 % for interest calculation as per regulation 5.6.5.2 of Tariff Regulations. The calculation in this regard is shown in the table below.

**Table-2K**  
**Interest on Working Capital**

Sl. No.	Particulars	Amount in Rs. lakh
1	Annual Fixed charges for 2015 - 2016 (excluding interest on working capital and interest)	110109.66
2	Less: Depreciation	17448.26
3	Less: Advance against depreciation	0
4	Less: Return on Equity	29562.44
5	Less: Reserve for Unforeseen Exigencies	0
6	Less: Deferred Revenue Expenses	0
7	Total deductions: (sum of (2) to (6))	47010.70
8	Allowable Fixed Charge for computation of Working Capital [(1) - (7)]	63098.96





Order on APR of WBSETCL for the year 2015-16

9	Allowable Working Capital @18% on (8)	11357.81
10	Interest at State Bank Short Term PLR rate	14.75%
11	Interest on Working Capital [(9) x (10)]	1675.28
12	Actual Interest for working capital paid	1847.82
13	Interest on Working Capital Admitted (Minimum of (11) and (12))	1675.28

The actual interest claimed by WBSETCL being higher than the normative interest on working capital, the Commission admits the normative interest of Rs. 1675.28 lakh as per the Tariff Regulations.

#### 2.5.4 Other Finance Charges:

- (i) Under the head 'Other finance charges', an amount of Rs. 34.00 lakh was provided in the tariff order for 2015 – 2016. As per the audited annual reports and accounts of 2015 – 2016, 'other finance charges' is Rs. 44.63 lakh for booking of service fees / commitment charges, guarantee charges and bank charges.
- (ii) The total amount of expenses claimed by WBSETCL in Form 1.17(c) towards 'other finance charges' is Rs. 44.63 lakh though in note 20 of annual accounts it is shown as Rs. 43.46 lakh. The Commission acknowledges the difference on account of bank charges and considers to admit the amount of Rs. 44.63 lakh in APR 2015 – 2016 of WBSETCL comprising of service fee/commitment charge, guarantee charges and other bank charges. Out of this, the Bank charges under SLDC is Rs 0.02 lakhs (as per cost audit report) and balance Rs 44.61 lakh is for transmission business.

#### 2.5.5 Depreciation:

In the tariff order of the fourth control period, Rs. 22431.49 lakh was allowed under the head of Depreciation in 2015-16. In annual accounts of WBSETCL for 2015-16, depreciation has been shown as Rs. 17430.38 lakh inclusive of Rs. 2.93 lakh towards depreciation on assets of SLDC as provided in the audit certificate in Volume – II. The net prior period adjustment under provision for depreciation of previous years amounts to Rs. 104.02 lakh. However, prior period amount pertaining to the period earlier than the base year (i.e. 2013-14) is not admissible. Hence, prior period amount for the years 2013-14 and 2014-15 of Rs. 20.80



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lakh has been admitted by the Commission. Permissible depreciation during 2015 - 2016 thus comes to Rs. 17451.19 lakh (Rs. 17430.38 lakh + Rs. 20.80 lakh) on the basis of note – 10 of the audited annual accounts read with reply dated 24.08.21. Thus, the Commission in line with the above, admits the amount of Rs. 17451.19 lakh including that of SLDC for Rs. 2.93 lakh as per audit certificate in Annexure II of Volume II of APR Petition in the APR for 2015 - 2016. The breakup of the depreciation admitted for APR 2015 – 2016 is given in the table below:

**Table-2L**

**Depreciation**

Sl. No.	Sub-heads/ Heads	Allowed in Tariff order 2015 - 2016	Claimed amount in APR Petition	Rs. Lakh	
				Admitted amount in APR	
				SLDC	WBSETCL
1	Depreciation	22431.49	17534.41 (as per form B)	2.93	17448.26

**2.5.6 Advance against Depreciation:**

- (i) In the tariff order of 2015-16, no advance against depreciation has been paid. The Tariff Regulations provide advance against depreciation when the amount of annual depreciation is not sufficient for loan repayment in the concerned financial year. However, the amount of loan repayment is to be restricted to 1/10<sup>th</sup> of the principal amount of original loans according to the Tariff Regulations.
- (ii) In accordance with form-C, the original amount of loan and the respective repayment made during 2015-16 –are depicted in the Table-2M below:

**Table-2M**

**Loan Repayment During 2015-16**

Sl. No.	Particulars	Amount (Rs. Lakh)	
		Principal amount against Original Loan	Repayment made during 2015-16 \$
1	WBSETCL Bonds (9.75%)	18300	-
2	WBSETCL Bonds (10.29%)	25000	-
3	PFC Ltd	36278	397.61





Order on APR of WBSETCL for the year 2015-16

Sl. No.	Particulars	Amount (Rs. Lakh)	
		Principal amount against Original Loan	Repayment made during 2015-16 \$
4	RECL	89707.03	5394.22
5	L.I.C.I	16365	1846.83
6	Term loan from Allahabad Bank	20000	1667.31
7	Term loan from ICICI Bank	9000	1000
8	NABARD	53968	784.6
9	Govt. of W.B.	117195	4850.5
10	Total	385813.03	15941.07

\$ does not include normative loan of Rs. 5886.98 lakh as Commission has not admitted it in paragraph 2.5.1(ii) and Rs. 1830.00 lakh used for swapping / refinancing of loan.

- (iii) Since the actual admissible amount of repayment of loan stands to Rs 15941.07 lakhs against the depreciation amount of Rs 17534.41 lakhs, Commission does not admit any amount in the APR for 2015 – 2016 as advance against depreciation as per Tariff Regulation.

#### 2.5.7 Scrapped Assets Write Off:

In its APR petition for 2015 – 2016, WBSETCL has claimed an amount of Rs 75.93 lakh against scrapped assets write off. In Note 23.2 of the Annual Reports and Accounts, WBSETCL mentions that "An amount of Rs. 759.33 lakhs and Rs. 683.40 lakhs, being Gross Value and Accumulated Depreciation respectively of the assets discarded since 2007 – 2008, have been reduced from Tangible Fixed Assets and the Residual Value amounting to 75.93 lakhs has been charged to revenue account." Tariff Regulations does not specify such provision for scrapped assets written off. Accordingly, in the APR for 2015 – 2016, Commissions does not admit any amount under the head of scrapped assets write off.

#### 2.5.8 Interest Credit:

The actual amount of loan repayment during 2015 – 2016 is less than the amount allowed as depreciation. Thus, in terms of regulation 5.5.3 of the Tariff Regulations, an interest credit at the rate of weighted average cost of debt is provided on such excess depreciation charged. An amount of Rs. 143.91 lakhs, as computed hereunder, is deductible from the gross amount of fixed charges.



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**Table-2N**

**Interest Credit During 2015-16**

Sl. No.	Particulars	Admitted amount in Rs Lakhs
1	Amount of Depreciation	17451.19
2	Loan repayment	15941.07
3	Excess of depreciation over loan repayment (1 – 2)	1510.12
4	Weighted average rate of interest	9.53%
5	<b>Interest credit</b>	<b>143.91</b>

The above Interest Credit charge is allocated between SLDC and transmission business in proportion to their depreciation charge. Thus, the interest credit for SLDC stands to Rs 0.02 Lakhs and for Transmission business Rs 143.89 Lakhs.

**2.6 Taxes payable under Provisions of Income Tax Act:**

In the APR application of 2015 – 2016, WBSETCL has claimed an amount of Rs. 12586.21 lakh for income tax. In the tariff order, the admitted amount was Rs. 6911.56 lakh for the year 2015 – 2016. As per the audited accounts, amount considered is Rs. 11859.92 lakh. From Cash Flow Statement for the concerned year certified by the auditors, there was an outflow of cash by Rs. 11730.61 lakh. From the certificate of Chartered Accountant enclosed as Annexure-X and Annexure-XA of Volume-II of the petition read with response submitted vide Communication dated 25.02.2020 against letter dated 5.2.2020 of WBERC, the following facts are revealed:

- Difference between TDS from long term open access charges by WBSEDCL as per cash flow and as per 26AS for the FY 2015 - 2016 is Rs.796.15 Lakh.
- Difference between TDS from short term open access charges by WBSEDCL as per cash flow and as per 26AS for the FY 2015 - 2016 is Rs.40.50 Lakh.
- Difference between TDS from banks and others as per cash flow and as per 26AS for the FY 2015 - 2016 is Rs. 18.95 Lakh.
- Rs. 0.62 lakhs additional amount payable in terms of Assessment Order dated 29.03.16 for AY 2013-14.
- Rs. 4.741 lakhs additional amount payable in terms of Assessment Order dated 29.12.16 for AY 2014-15.





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- vi) In reply to the letter no vide no WBERC/APR-57/16-17/922 dated 2<sup>nd</sup>/5<sup>th</sup> August 2021 WBSETCL vide the letter no Dir(Op) /WBSETCL/RAC/1(ix)/317 dated 24-08-2021, WBSETCL has submitted assessment order of assessment year 2012-13 but not any proof of deposit of respective tax amount.

Thus, WBSETCL is directed to submit proof of payments against assessment order relating to AY 2012-13. WBSETCL is also directed to submit the proof of payments against assessment order of AY 2013-14 and AY 2014-15. On submission of the above, the respective tax amounts will be considered for admission in subsequent APR orders of the Commission.

The details of Income Tax allowable for APR 2015 – 2016 is given in Table-20 below:

**Table-20**  
**Income Tax During 2015-16**

Sl. No.	Particulars	Allowed in Tariff order 2015-16	Claimed in APR Petition	Rs Lakhs	
				Admitted amount in APR	
				SLDC	WBSETCL
1	Income Tax as per 26 AS	6911.56			
2	TDS from LTOA charges by WBSEDCL		12184.12		12184.12
3	TDS from STOA charges by WBSEDCL		209.04		209.04
4	TDS by Banks and Others		193.05		193.05
	<b>OVERALL</b>	<b>6911.56</b>	<b>12586.21</b>		<b>12586.21</b>

Thus, the admitted amount for income tax in APR of 2015-16 for WBSETCL stands to Rs 12586.21 lakhs.

## 2.7 Reserve for Unforeseen Exigencies:

- 2.7.1 In terms of regulation 5.11 of the Tariff Regulations, WBSETCL was allowed Rs 3834.24 lakh in the tariff under the head Reserve for unforeseen exigencies from 2006 – 2007. In the tariff order for 2015 – 2016, no amount was allowed under this head in the ARR to avoid hike in transmission charge which would ultimately affect consumers' tariff of the distribution



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licensees. The Commission does not consider to allow any amount under this head in APR 2015 – 2016.

2.7.2 The Commission vide order dated 10.6.2014 while disposing Review of APR order for 2011-12 directed WBSETCL to maintain investment under the fund as on 31.3.2013 i.e. Rs 4804.69 lakh and continue with investment of such amount with accrued interest. As observed from the annual accounts that WBSETCL has been following the same. The difference if any is on account of TDS of accrued interest which is adjusted against the Investment amount. Hence there is no shortfall in investment of reserve for unforeseen exigencies.

2.7.3 WBSETCL shall continue to maintain the fund as per provision of the Tariff Regulations and shall furnish the statement indicating opening balance in the fund and year wise interest invested in the fund duly certified by the statutory auditor along with their APR application for every year.

## 2.8 Return on Equity:

On scrutiny of annual accounts and different forms of Volume II of the APR petition for 2015-16 of WBSETCL, following points are presented:

- i) The closing balance of general reserves for 2015-16 is Rs. 187474.76 lakh as per note-3 of annual accounts
- ii) The actual addition/deletion to the equity base in 2015-16 is Rs 41390.48 lakh as per note-3 of annual accounts
- iii) The Consumer's Contribution in 2015-16 is Rs 7600.35 lakh and for 2014-15 is Rs 3834.98 lakh as per note-10 of annual accounts. The net accretion to consumer Contribution during the year 2015-16 is accordingly Rs 3765.37 lakh (7600.35 – 3834.98).
- iv) The Government Grant received in 2015-16 is Rs 1104.34 lakh as per note 3 of Annual Accounts 2015-16.
- v) The admissible equity base at the beginning of the year is considered as Rs. 182157.52 as per closing balance computed in APR order of 2014-15.
- vi) From note 10 (Fixed Assets) of the notes to accounts of audited annual accounts for 2015-16, it is observed that during 2015-16, the addition to fixed assets was Rs.





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61989.13 lakh which has been reduced by consumer contribution for Rs 3765.37 lakh and government grant Rs 1104.34 lakh during the year 2015-16 resulting into net asset addition to Rs. 57119.42 lakh to be considered for the purpose of computation of return on equity.

The computation of Equity Base is shown hereunder:

**Table-2P**

**Computation of Return on Equity**

Sl. No.	Particulars	Admitted Amount in Rs Lakhs
1	Actual Equity base at the beginning of the year	
	Share Capital	110552
	Free Reserve	146084.28
	<b>Total</b>	<b>256636.28</b>
2	Admissible equity base at the beginning of the year	182157.52
3	Addition to Equity base during the year	41390.48
4	Actual Equity base at the end of the year	298026.76
5	Net Addition to the original cost of Fixed Assets during the year	57119.42
6	Normative addition to Equity [30% of sl. No. (5) above]	17135.83
7	Amount to be considered as addition during the year being lower of (3) & (6)	17135.83
8	Admissible Equity Base at the end of year [(8) = (2)+(7)]	199293.35
9	Average admissible Equity Base [(2)+(8)/2]	190725.44
10	Allowable return @ 15.5% on sl. No. (9) above	29562.44

**2.9 Charges Payable for Bakreswar and Santaldih Transmission Systems:**



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- (i) WBSETCL is operating the associated transmission system constructed by West Bengal Power Development Corporation Limited (in short 'WBPDCCL') in respect of Bakreswar and Santaldih Power Stations. WBPDCCL is to recover, the expenditure incurred by them relating to these transmission systems, from WBSETCL in instalments. In terms of tariff order of WBPDCCL for 2015 – 2016, the amount to be recovered in 2015 – 2016 on this account was Rs. 3574.33 lakh comprising depreciation, interest on borrowed capital and return on equity relating to the associated transmission system of Bakreswar generating station as provided in the tariff order. An amount of Rs. 1769.15 lakh was also payable by WBSETCL to WBPDCCL during the year 2015 – 2016 on account of recovery of additional fixed cost of the associated transmission system of Bakreswar generating station in terms of paragraph 4.8.3 of the tariff order of WBSETCL for 2015-16. Thus, an amount of Rs. 5343.48 lakh (Rs. 3574.33 lakh + Rs. 1769.15 lakh) was payable to WBPDCCL by WBSETCL during 2015 – 2016.
- (ii) As per note – 21 of the notes to accounts of the audited accounts 2015 – 2016, an amount of Rs. 5343.48 lakh was paid by WBSETCL towards transmission charges to WBPDCCL during 2015 – 2016. The Commission now admits the amount of Rs. 5343.48 lakh on account of charges payable to WBPDCCL for Bakreswar and Santaldih transmission systems in the APR for 2015 – 2016, which has already been paid by WBSETCL.
- (iii) The Commission shall, however, determine the admissible fixed charge of Bakreswar Transmission system and Santaldih Transmission system for the year 2015 – 2016 in the APR order for 2015 – 2016 in respect of WBPDCCL. Adjustment, if any, on the payable amount of WBSETCL to WBPDCCL for the Bakreswar and Santaldih Transmission systems due to APR of WBPDCCL for 2015 – 2016, shall be dealt with in the tariff order in respect of WBPDCCL for the subsequent period.

## 2.10 Charges Payable to Eastern Regional Power Committee (ERPC):

As per note 21 of the notes to annual accounts of 2015 – 2016, an amount of Rs. 16.00 lakh was paid to ERPC against the approved value of Rs 15 Lacs in Tariff order. Thus, the Commission admits the amount of Rs. 16.00 lakh in the APR for 2015 – 2016 of WBSETCL.





## 2.11 Incomes from Non-Tariff Sources:

The incomes from other non-tariff sources during the year 2015 – 2016 was Rs. 3064.22 lakh as per note 18 of the notes to annual accounts of WBSETCL against Rs. 1979.19 lakh considered in the tariff order for 2015-16. However as per form 1.26 of Vol-II of APR petition, income from other non-tariff sources is Rs. 3049.05 lakhs. This is due to negative adjustment of prior period expenses of Rs 15. 16 lakhs as per auditors' certificate in Annexure V in Volume II of APR petition. WBSETCL claims that out of total Rs. 3049.05 lakh, following expenses are required to be excluded for different reasons for the purpose of determination of incomes from non-tariff sources for the purpose of ARR determination under APR:

- i) Interest amount of Rs. 563.95 lakh on fixed deposits against reserve for unforeseen exigencies is required to be reinvested in terms of the Tariff Regulations.
- ii) Rs. 40.83 lakhs on account of late payment surcharge from WBSEDCL recognized as other income, but not realised. Hence, WBSETCL will not be given any relaxation and such non-realised income has to be considered.

WBSETCL's claim that non-realisation of late payment surcharge of Rs 40.83 lakh is not to be considered under non-tariff income cannot be accepted as it is failure of WBSETCL in revenue recovery. WBSETCL's failure cannot be ultimately passed to the user of the transmission systems of the Company which will eventually affect the tariff of the retail consumers. Thus, the Commission does not accept such claim of WBSETCL.

Thus, an amount of Rs. 2485.10 lakh (Rs. 3049.05 lakh – Rs. 563.95) is arrived at towards income from non-tariff sources and the same is admitted as non-tariff income of WBSETCL by the Commission in the APR for 2015 – 2016.

## 2.12 State Load Despatch Centre Charges:

- (i) In the tariff order of WBSETCL for 2015 – 2016, in paragraph 4.4.7, the Commission has admitted an amount of Rs. 1580.56 lakh as ULDC charge and considered it as a part of SLDC charges. In the APR petition of 2015-16, WBSETCL has claimed an



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amount of Rs. 281.91 lakh as ULDC charges. From note 8 of the annual accounts of SLDC, it transpires that an expenditure of an amount of Rs. 281.91 lakh has been incurred as an ULDC charge. Thus, the Commission finds it suitable to consider Rs. 281.91 Lakh as 'ULDC charges under SLDC expenses for the year 2015 – 2016.

- (ii) SLDC expenses on all other heads such as employee cost, repair & maintenance cost, administrative & general expense, rates & taxes, depreciation, etc. are already discussed in above paragraphs. The overall expenses of SLDC under those heads are described in Table –2Q below:

**Table-2Q**  
**Computation of SLDC Charges**

Sl. No.	Particulars	Rs. Lakh	
		Allowed in Tariff Order 2015 - 2016	Admitted in APR
1	ULDC Charges	1580.56	281.91
2	Employee cost	475.68	402.63
3	Repair & maintenance expenses		43.72
4	Administrative & General charges	194.31	35.52
5	Cost of outsourcing (security charges & vehicle hiring charges)		17.81
6	Rates & taxes		
7	Bank charges	0.54	0.02
8	Depreciation		2.93
	<b>Overall Expenses</b>	<b>2051.09</b>	<b>784.54</b>

### 2.13 Income from Short Term Open Access (STOA):

As per note 17 of the annual report and accounts for 2015 - 2016, an amount of Rs. 7594.94 lakh was earned by WBSETCL under the head. Thus, total income of Rs. 7594.94 lakh from STOA charges is being considered by the Commission as an income during the year 2015 - 2016 and dealt in Chapter-3.

### 2.14 Incentive for Transmission Licensee:





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In their APR application, WBSETCL has submitted detailed calculation for incentive on the basis of their annual availability of 99.91 % during the year 2015 – 2016. In this regard, WBSETCL has furnished detailed calculation and computation of availability from SLDC as Annexure-XI of Volume II of Tariff Petition. Accordingly, WBSETCL in APR Annexure-I has claimed an amount of Rs. 190.86 lakh as incentive. In accordance with paragraph 8 of schedule 10 of the Tariff Regulations, the Commission admits an amount of Rs. 162.90 lakh on account of incentive in the APR for 2015 – 2016.

**Table- 2R**  
**Computation of Incentive**

		Rs. Lakh
Sl. No	Item	Amount
1	Net Revenue requirement of WBSETCL excluding incentive (Refer Table. – 2T)	109155.95
2	Less. STOA charge received as per Audited Account	7594.94
3	Net Annual Transmission charges	101561.01
4	Annual availability	99.91%
5	Target availability	99.75%
6	Incentive $[(1) \times ((4) - (5) / (5))]$	162.90

#### 2.15 Prior Period Adjustment:

WBSETCL has claimed for net prior period expense on the head of Employee Cost and other applicable expense heads. The net prior period adjustment on account of Employee Cost, Repairs & Maintenance, Interest and Other Finance charges and depreciation have been already done in the respective paragraphs.

#### 2.16 Fixed Charges as admitted:

Based on the foregoing analysis, the total amount of fixed charges allowable to WBSETCL for transmission utility function has been shown in Table – 2T. The allowable fixed charges for transmission function of WBSETCL is Rs. 109318.85 lakh.

**Table-2T**  
**Fixed Charge Computation**

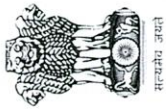


Order on APR of WBSETCL for the year 2015-16

Rs Lakhs

Sl. No.	HEAD OF FIXED CHARGES	Claim in APR	Admitted in APR	SLDC	Transmission Business
1	Employee Cost	17052.16	17070.06	402.63	16667.43
2	Repairs and Maintenance (R&M)	4779.75	4091.84	43.72	4048.12
3	R&M for new Expansion Work	0	0		0
4	Administrative and General charges	1494.34	1193.65	35.52	1158.13
5	License Fees & Filing Fees of WBERC	221.62	221.62		221.62
6	Outsourcing	2436.50	2421.07	17.81	2403.26
7	Rates & Taxes (Other than on Income & Profit) incl Service & Entry tax	384.92	344.15	0	344.15
8	Insurance Premium	0	0		0
9	Interest on Capital borrowings	17970.95	17970.95		17970.95
10	Interest on normative loan	4190.16	0	0	0
11	Interest on Bonds for creation of Pension Fund	2295.00	2295.00	0	2295.00
12	Other Finance Charges	44.63	44.63	0.02	44.61
13	Depreciation	17534.41	17451.19	2.93	17448.26
14	Advance against Depreciation	6123.89	0	0	0
15	Scrapped Assets Write Off	75.93	0	0	0
16	Taxes under Income Tax Act	12586.21	12586.21	0	12586.21
17	Reserve for Unforeseen Exigencies	0	0	0	0
18	Returns on Equity	29654.08	29562.44	0	29562.44
19	Charges payable to WBPDCCL on account of Bakreswar & Santaldih transmission systems	5343.48	5343.48		5343.48
20	ULDC Charges	281.91	281.91	281.91	0
21	Charges payable to ERPC	16.00	16.00		16.00
22	<b>Revenue Requirement (1 to 21)</b>	<b>122485.94</b>	<b>110894.20</b>	<b>784.54</b>	<b>110109.66</b>
23	Interest on Working Capital	1292.44	1675.28		1675.28
24	<b>Gross Revenue Requirement (22 + 23)</b>	<b>123778.38</b>	<b>112569.48</b>	<b>784.54</b>	<b>111784.94</b>
25	<b>Less:</b>				
26	Income from non-tariff sources / other income	2444.27	2485.10	0	2485.10
27	Interest Credit	0	143.91	0.02	143.89
28	<b>Net Revenue Requirement [(24)-(26)-(27)]</b>	<b>121334.11</b>	<b>109940.47</b>	<b>784.52</b>	<b>109155.95</b>
29	Add: Incentive	100.86	162.90		162.90
30	<b>Aggregate Revenue Requirement (ARR) (28 + 29)</b>	<b>121434.97</b>	<b>110103.37</b>	<b>784.52</b>	<b>109318.85</b>





Order on APR of WBSETCL for the year 2015-16

## Annexure 1

### O&M parameters for 2015-16:

Inflation		Tariff Order		APR Order	
Particulars					
WPI		6.62%		-2.47%	
CPI		9.15%		5.65%	
WPI: CPI (60 : 40)		7.63%		0.78%	

### Monthly Rate of Inflation in CPI number for Industrial Workers (Source: Labour Bureau, GOI)

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2014-15	242	244	246	252	253	253	253	253	253	254	253	254
2015-16	256	258	261	263	264	266	269	270	269	269	267	268

### Monthly Inflation Rate based on WPI from Office of the Economic Adviser, GOI

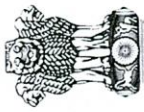
Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2014-15	181	182	183	185	186	185	184	181	179	177	176	176
2015-16	176	178	179	178	177	177	177	178	177	175	174	175

### Monthly Rate of Inflation computed based on CPI number for Industrial workers

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2015-16	5.79	5.74	6.10	4.37	4.35	5.14	6.32	6.72	6.32	5.91	5.53	5.51	5.65
Average value is computed													

### Monthly Inflation Rate based on WPI from Office of the Economic Adviser, GOI

West Bengal Electricity Regulatory Commission



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Order on APR of WBSETCL for the year 2015-16

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2015-16	(2.43)	(2.20)	(2.13)	(4.00)	(5.06)	(4.59)	(3.70)	(2.04)	(1.06)	(1.07)	(0.85)	(0.45)	(2.47)





### Chapter – 3

#### AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 As shown at the paragraph 2.16 of the previous chapter, the re-determined amount of fixed charges of WBSETCL for the year 2015 – 2016 comes to Rs. 109318.85 lakh which may be considered as realizable revenue from operation of transmission business of WBSETCL for 2015 – 2016.
- 3.2 In the tariff order for 2015 – 2016 the Commission decided to adjust the recoverable amount of Rs. 2423.91 lakh, Rs. 928.39 lakh and Rs. 3408 lakh on account of balance part release of the regulatory assets created in the APR orders for 2009 – 2010, 2010 – 2011 and 2008 – 2009 (review order) respectively with the ARR of WBSETCL for 2015 – 2016. The Commission decides to consider those adjustments in the APR for 2015 – 2016 to determine the revenue recoverable through tariff by WBSETCL during the year 2015 – 2016.
- 3.3 The Commission, however, does not consider any amount on account of adjustment of recoverable amount determined in the APR order dated 09.09.2013 for 2011 – 2012 in case no. WBERC/APR-32/12-13 read with order dated 10.06.2014 in case no. WBERC/APR(R)/4/13-14 on review of the order dated 09.09.2013 as the same was not considered in tariff order for 2015 – 2016. The Commission will consider to adjust the recoverable amount as admitted in the above orders in the tariff order for 2023 – 2024 or any subsequent tariff order.
- 3.4 On the basis of the above discussions, the total amount of revenue recoverable through tariff by WBSETCL for the year 2015 – 2016 works out as under:

#### REVENUE RECOVERABLE THROUGH TARIFF FOR THE YEAR 2015 – 2016



Order on APR of WBSETCL for the year 2015-16

Sl. No.	Particulars	Amount in Rs. Lakh
1	Aggregate Revenue Requirement for 2015 – 2016 (as shown in paragraph 2.16)	109318.85
2	Positive adjustment on account of APR for 2009 – 2010 (as per paragraph 3.2 above)	2423.91
3	Positive adjustment on account of APR for 2010 – 2011 (as per paragraph 3.2 above)	928.39
4	Recovery of arrear for 2012 – 2013 (as per paragraph 3.2 above) (review of APR for 2008-09)	3408.00
5	Total revenue recoverable through tariff [= (1) + (2) + (3) + (4)]	116079.15

3.5 The revenue from operation earned by WBSETCL by way of transmission charges and short term open access charges with reference to its audited accounts are as follows:

- As per note 17 to the annual report and accounts 2015 – 2016 the transmission charge realized during 2015 – 2016 was Rs. 107119.30 lakh.
- As per note 17 to the annual report and accounts, WBSETCL has also earned Rs. 7594.94 lakh on account of short term open access charges during the year 2015 – 2016.
- Revenue earned on account of Inter-State Transmission Charge (ISTL) amounts to Rs. 7852.87 lakhs.
- Thus, the total revenue income comes as under.

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Revenue from transmission charged as per Note 17 of annual accounts.	107119.30
2	Revenue as per adjustment as per para 2.2 of tariff order dated 22.06.15 also annexure I of APR Application and annexure II volume II Page 53 of APR application.	6760.39
3	Add: Revenue from Short term open access charges pertaining to WBSETCL only excluding scheduling SLDC charges (Note 17 of annual accounts)	7594.94
4	Revenue from Inter-State Transmission Charge (ISTL) (Note 17 of annual accounts)	7852.87
5	Revenue realized from operation for the year 2015 – 2016 =(1)+(2)+(3)+(4)	129327.50





Order on APR of WBSETCL for the year 2015-16

- 3.6 As it comes out from the findings in paragraph 3.4 and 3.5 above, WBSETCL has an over-recovery of Rs. 13248.35 lakh as given below:

Sl. No.	Particulars	(Rs. in Lakh)
		Amount
1	Approved realizable revenue admitted in APR for 2015 – 2016	116079.15
2	Actual amount of revenue from operation realized for the year 2015 – 2016	129327.50
3	Additional net revenue amount to be recovered for 2015 – 2016	-13248.35

- 3.7 In terms of the Tariff Regulations, the over recovery of Rs. 13248.35 lakh or a part thereof may be adjusted with the amount of Aggregate Revenue Requirement for the subsequent period 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 subsequent tariff order of WBSETCL for the year 2022 – 23.
- 3.8 WBSETCL is directed to comply with the directions given in the preceding chapter of this order.
- 3.9 WBSETCL is to take a note of this order.

Sd/-  
(PULAK KUMAR TEWARI)  
MEMBER

Sd/-  
(DURGADAS GOSWAMI)  
(MEMBER)

Sd/-  
(SUTIRTHA BHATTACHARYA)  
(CHAIRPERSON)

Date: 28.04.2022

Sd/-  
SECRETARY