सत्यमेव जयते

ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASE NO.: APR – 66 / 17 – 18

IN RE THE APPLICATION OF WEST BENGAL STATE ELECTRICITY TRANSMISSION COMPANY LIMITED FOR ANNUAL PERFORMANCE REVIEW FOR THE FINANCIAL YEAR 2016 – 2017

DATE: 28.04.2022

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 2016 – 2017 on 30.11.17 in terms of the provision contained in Tariff Regulations. Subsequently, WBSETCL submitted a supplementary pleading on 11.12.2018. The application (collectively called as 'APR Application') was admitted by the Commission on 12.11.2020 and was numbered as APR-66/17-18.

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 2016 – 2017 is its third application of the fourth control period based on audited annual report and accounts for the year 2016 – 2017. 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 4.03.15 read with Tariff order dated 28.10.16 for WBSETCL for 2016 – 2017 in Case No.

TP-60/13-14 will be considered for giving effect to while determining the amount of 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 2016 – 2017 in terms of the referred schedules to the Tariff Regulations. The APR for the year 2016 – 2017 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 2016 – 2017 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 in strict compliance to the provisions of applicable laws and regulations. The variations arising out of the controllable factors shall, however, be considered from the perspective of tariff order.The instant application of WBSETCL is being viewed in the subsequent parts of this order.

1.5 WBSETCL was directed to publish, in terms of regulation 2.6.12 of the Tariff Regulations, the gist of the APR application 2016 – 2017, 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 the website of WBSETCL. The gist was accordingly published simultaneously on 29.11.2020 in 'The Anandabazar Patrika', 'the Ajkal', 'the Bartaman', 'The Times of India' and 'The Telegraph'. The publication invited the attention of all interested parties, stakeholders and the members of the public to the application for APR for the year 2016 – 2017 of WBSETCL and requested for submission of objections, comments etc., if any, on the application to the Commission by 19.12.2020 at the latest. The approved gist along with

the APR petition for 2016 – 2017 was also published on the website of WBSETCL. Opportunities were also afforded to all to inspect the application and take copies thereof.

1.6 No comment, suggestion, objection on applications for APR for the year 2016 – 2017 of WBSETCL has been received during the stipulated time i.e., 19.12.2020.

1.7 Subsequently the Commission has raised certain queries vide its letter no WBERC/APR-66/17-18/661 dated 11th May 2021. Against such queries WBSETCL has provided reply vide reference no Dir(Op)/WBSETCL/RAC/1(ix)/310 dated 30-07-2021 and Dir(Op)/WBSETCL/RAC/1(ix)/321 dated 06-09-2021.

1.9 In the following chapters determination of aggregate revenue requirement through APR determination for 2016-17 has been undertaken.

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

Rs. in Lakh

Sl. No.	Item head	Amount admitted in Tariff Order 2016-2017	Amount claimed in APR 2016-17*	As admitted in APR 2016-17	Reference
1	Transmission Business	117431	119270	117572.06	Paragraph 2.15
2	SLDC	2153	1060	1049.49	Paragraph 2.15
3	**Overall**	**119584**	**120329**	**118621.55**	Paragraph 2.15

* In terms of APR Petition read with additional submission dated 18th December 2018.

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 are being computed out in the following paragraphs.

2.3 Employee Cost:

2.3.1 In the tariff order for 2016-17, an amount of Rs. 21908.78 lakh was admitted towards employee cost having elements like salaries, wages, allowances, bonus, contribution to P.F. etc. as well as staff welfare expense. As per note 20 of annual accounts for 2016-17, the amount of employee cost is Rs. 23561.75 lakhs, inclusive of whole-time directors' fees and after netting of the expenses of Rs. 3065.99 lakh for capitalization. This includes contribution to provident fund and other funds of Rs. 8633.82 lakhs. As per Annex 3 of the APR petition (Auditors' certificate) after reduction of other comprehensive income of Rs. 7576.28 lakhs, admissible amount of contribution to terminal benefit fund amounts to Rs. 1057.54 lakhs. Thus, WBSETCL has claimed Rs. 15985.47 lakhs (Rs. 23561.75 lakhs – Rs. 7576.28 lakhs) in the APR petition for 2016-17 on employee cost head. As per Annexure 5 of the petition, director's fees of Rs 3.30 lakhs will also be a part of Employee Cost in terms of regulation 5.9.1 of the Tariff Regulations. Thus, the total amount claimed is Rs 15988.77 lakh (Rs. 15985.47 lakh + Rs. 3.30 lakh).

2.3.2 In the year 2016 – 2017, the number of employees in WBSETCL was 2305 against the total transmission line of 12962 CKM. Thus, the employee cost per CKM is 0.18. 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, the Commission thus admits the uncontrollable item of Employee cost of Rs. 15988.77 lakh.

2.3.3 Within the above total claimed amount of Rs. 21388.77 lakh, the allocation for SLDC is Rs. 406.53 lakh on the head of salary and terminal benefits of SLDC. Thus, the allocated amount to WBSETCL for its transmission business stands to Rs. 20982.24 lakh (Rs. 21388.77 lakh – Rs. 406.53 lakh). Thus, the break-up of the employee cost admitted for the year 2016 – 2017 is given in the Table 2B below:

Table – 2B
Employees Cost

Rs lakhs

Sl. No.	Particulars	Allowed in Tariff Order 2016-17	As per Audited Accounts and Claim	Admitted in APR		
				WBSETCL	SLDC	Transmission Business
1	Salaries, Wages & Bonus		17799.21	17799.21	406.53	17392.68
2	Staff Welfare Expenses		194.71	194.71		194.71
3	Contribution to Provident & Other Funds		1057.54	1057.54		1057.54
4	Less: Employees Cost Capitalised	21908.78	3065.99	3065.99		3065.99
	Sub-Total		**15985.47**	**15985.47**	406.53	**15578.94**
5	Director's Fees & Expenses		3.30	3.30		3.30
6	Prior period expenses		-	-		-
	OVERALL EMPLOYEE COST	21908.78	15988.77	**15988.77**	**406.53**	**15582.24**

2.4 Determination methodology of permissible expenses sensitive to line length:

2.4.1 In the multi-year tariff order of the fourth control for different years inclusive of 2016-17, 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 follows the principle of cost determination of different items in the following steps:

a) 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. Thus, the annual escalation rate for 2016-17 is as per following formula:

Annual escalation rate (%) for any ensuing year = A + R x 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 ensuring 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 is 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 2016-17.

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 2C below:

Table-2C

Particulars	Tariff Order (Estimated Value)	APR Order (Actual Value)	Variation in %
Line Length in CKM	13607	12962	(4.74)
WPI in %	6.62%	3.70%	(44.07)
CPI in %	9.15%	4.15%	(54.70)
Inflation in hybrid index [WPI: CPI (60 : 40)] in %	7.63%	3.88 %	(49.15)
Please see WPI and CPI detail in Annexure-2A of this APR order			

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

Since the actual 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 thus no

adjustment is required to be done for target business volume parameter for 2016-17 in line with paragraph 4.2.5 of the MYT order of the fourth control period.

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. Accordingly, for controllable items for 2016-17 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 2016-17, the actual expenditure shown by WBSETCL is Rs. 4898.17 lakh as shown in paragraph 2.0(i)) of APR application which is also the claimed amount. In the tariff order, the amount admitted is Rs 4426.31 Lakhs. In addition, WBSETCL has claimed an additional amount of Rs 341.57 Lakhs on the ground of repair & maintenance for new expansion works in 2016-17 in line with the direction of the Commission in paragraph 4.2.1(c) of the tariff order for 2016 – 2017. The detail of such expenses was given in Annexure-IV(A) of Volume -II in their petition.

(ii) 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 5487.14 lakh. However, 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.

(iii) It is observed that there is no increase in the actual Transmission Line Length over the estimated transmission line length for 2013 – 2014 in the MYT order. Thus, no adjustment on account of paragraph 4.2.5 of the tariff order is applicable. 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 4426.31 against the line length of 13,607 CKM. The Commission also noted from the audited Annual Accounts of SLDC that repair and maintenance expenditure for SLDC during the year 2016 - 2017 comes to Rs. 87.99 lakh. Thus, breakup of the repair and maintenance cost is given in the Table -2D below:

Table-2D

(Rs lakh)

Sl. No.	Particulars	Allowed in Tariff Order 2016-17	Claimed in APR Petition	Admitted in APR	
				SLDC	WBSETCL
1	Repair & Maintenance Expenses	4426.31	4898.17	87.99	4338.32

However, it is to be noted that this R&M expenses for new expansion work shall not be considered as parts 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.

(iv) In this context, vide paragraph 4.2.1 (c) of the tariff order, it was shown that in 2013-14 (base year), the estimation of R&M expenses was Rs 3955.81 lakhs by WBSETCL which includes 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 observed that "it is to be noted that 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, 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 2016-17, the 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 2016-17 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	101.06	139.09
Legal Charges	3.00	33.17
Auditor Fees & Expenses	77.95	55.07
Other Administrative & General Expenses including Consultancy Charges & License / Filling Fees	1075.87	2311.90
Less: Service and Entry Tax	182.67	1179.14
Total	**1075.21**	**1360.09**

* See Annexure-1 of Volume II of APR Petition

A&G expenses has 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 'licensee/filing fees', 'consultancy charge' and 'service & entry tax' as uncontrollable items and 'others' as controllable item. Neither in the tariff petition of WBSETCL nor in the tariff order, such elements have been declared as uncontrollable or controllable item. Moreover, 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 order for fourth control period has been followed and thus considered 'consultancy charge' and 'others' as elements of other administrative & General expenses. Since 'licensee/filing fees' and 'service & entry tax' are statutory in nature, these are not treated under other Administrative and General Expenses. 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.

The Administrative and General Expenses is a controllable item where no normative parameter is used. From the Table 2E, it has been seen that the actual A&G expenses incurred in 2016-17, excluding Licensee Fees & Filing Fees and service & entry tax is Rs. 1080.38 lakhs (Rs. 2539.23 lakhs – Rs 279.71 – Rs. 1179.14 lakhs). Since A&G expenses is controllable item and not sensitive to any norms, the permissible expenses under this APR cannot exceed the value of Rs. 1075.21 lakhs (Rs. 1257.88 lakhs – Rs. 182.67 lakhs) which was the admitted value excluding service and entry tax in the concerned tariff order. Service & entry tax in the concerned tariff order will be dealt with appropriately in determining allowable service & entry Tax as provided in para 2.4.6 of this order. In fact, the Table-2C shows that the transmission licensees has all the parameters in its favour. **Thus, the admitted expenses under this APR for A&G expenses in 2016-17 is Rs 1075.21 lakh.**

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 22.88 lakhs whereas in other three components expenses have exceeded by Rs 258.86 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.

It is also noted from the audited accounts of SLDC the actual expense on A&G Expense related to SLDC under this head is Rs. 48.27 lakhs (Annexure-II of Volume II of APR Petition) against the WBSETCL's overall claim of Rs 1639.80 lakhs under A&G head. As the overall A&G admitted amount for WBSETCL in APR of 2016-17 is Rs 1075.21 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 38.16 lakhs and for WBSETCL's business Rs 1037.05 lakhs.** Thus, the admitted amount on A&G expenses for APR of 2016-17 is as per following Table 2F :

Table-2F

ADMITTED A&G EXPENSES FOR 2016-17

Particulars	WBSETCL (Rs Lakhs	SLDC (Rs Lakhs)	Total for WBSETCL (Rs Lakhs)
A&G Expenses	1037.05	38.16	1075.21

Besides, WBSETCL paid Rs. 279.71 lakh on account of licence fees and fees for filing petitions during the year 2016 – 2017 to the Commission. In the tariff order for 2014 – 2015 to 2016 – 2017, the Commission considered the expenses on account of license fees and fees for petition filing under the head of 'other Administrative and general charges' while determining the ARR for all three years of the fourth control period. Such expenditure being statutory in nature, actual expense Rs. 279.71 lakh incurred by WBSETCL towards licence fees / petition filing fees paid to the Commission is admitted separately in the APR for 2016 – 2017.

2.4.5 Outsourcing Expenses:

The admitted amount of expense for any uncontrollable item of WBSETCL will be determined in pursuance of the principle set out in the paragraph 7.5 of the MYT order where such item has been declared sensitive to the business volume parameter namely line length of the network of WSETCL. 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. 2524.46 lakh under cost of outsourcing as expense towards 'security service charges' and 'vehicle hiring expenses' against the admitted amount of Rs. 2799.91 lakh in the ARR of tariff order.

From the Table-2C it is found that the actual transmission line length for the year 2016 - 2017 is 12962 CKM against the estimated length of 13607 CKM in the Tariff order. Thus, in accordance with the direction in paragraph 7.5 of MYT Tariff order of 4th 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. As the actual security expense for 2016-17 is lower than actuals of 2015-16 and also the admitted amount of Rs 2055.53 lakh for 2016-17 in MYT order, therefore the admitted amount is restricted to Rs. 1685.71 Lakh, being actual for 2016-17.

Under vehicle expenses head, the escalation rate is determined using the formula of 2.4.1 comes to 3.88% (3.88%+0×3.09%+0) on the basis of actual inflation rate of 3.88% as per combined/hybrid index (the index on which such expenses is sensitive) and actual transmission line length growth rate of 3.09 % in 2016-17 over the same of 2015-16 by following the direction under paragraph 7.5 of MYT order as well as considering nil value for Ad_F as per MYT order. Considering the above escalation growth on the value of expenditure on vehicle of Rs 704.40 lakhs considered for 2015-16 in APR order, the vehicle expenses for

2016-17 comes to Rs. 731.73 lakhs. The Commission has already allowed Rs 744.38 lakhs in the MYT order. Thus, WBSETCL has got an additional approval of Rs 12.65 lakh (Rs 744.38 lakh - Rs 731.73 lakh). The Commission thus decided to allow only Rs 744.38 lakh as admitted amount in APR 2016-17 of WBSETCL.

Thus, after applying actual inflation rate and actual line length of network in 2016-17, the permissible amount as per principle adopted in tariff order stands to Rs 2430.09 Lakhs (Rs 1685.71 lakhs + Rs 744.38 Lakhs) against the admitted amount of Rs. 2799.91 lakh in the tariff order.

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. 6.84 lakh and Rs. 12.40 lakh respectively.

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

Table 2G

Admitted Outsourcing Expenses in 2016-17

Rs. Lakhs

Expense Head	Approved in tariff order for 2016-17	As Claimed in APR application for 2016-17	As Admitted in APR for 2016-17		
			WBSETCL	SLDC	Transmission Business
Security Expenses	2055.53	1685.71	1685.71	6.84	1678.87
Vehicle Expenses	744.38	838.75	744.38	12.40	731.98
Total Outsourcing	**2799.91**	**2524.46**	**2430.09**	**19.24**	**2410.85**

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

WBSETCL has claimed an amount of Rs. 218.12 lakh on account of municipal taxes in APR application for 2016 – 2017. Since municipal tax is statutory in nature thus the claimed amount of Rs 218.12 is being accepted.

Service & entry tax, which has been reduced from A&G expense in para 2.4.4.2 above, is considered for admission under this head. WBSETCL has claimed Rs. 1179.14 lakhs for service & entry tax in 2016-17, which has been admitted at Rs. 1036.56 lakhs on proportional basis considering claimed amount of O&M expenses in the petition of Rs. 6258.26 lakhs (Rs. 4898.17 lakhs for R&M + Rs. 1360.09 lakhs for A&G) and admitted amount vide para 2.4.4.1 and 2.4.4.2 above of Rs. 5501.52 lakhs (Rs 4426.31 lakhs for R&M + Rs 1075.21 lakhs for R&M). Thus, the admitted amount under this head for 2016-17 works out to Rs 1254.68 lakhs (Rs. 218.12 lakhs + Rs. 1036.56 lakhs).

However, an amount of Rs. 0.03 lakh under this head is found to be admissible for SLDC. Considering the above the breakup for the admitted amount of Rs. 1254.68 lakh on account of Rates and Taxes (other than on Income & Profit) is given in the following table:

Table-2H
Admitted Rates & Taxes in 2016-17

Rs. Lakh

Sl. No.	Sub-heads/ Heads	Allowed in Tariff Order 2016-2017	Claimed in APR Petition of 2016-17	Admitted in APR of 2016-17		
				Total of WBSETCL	SLDC	Transmission Business
1	Rates & Taxes	137.72	218.12	218.12	0.03	218.09
2	Service & Entry Tax	182.67	1179.14	1036.56	-	1036.56
3	Total	320.39	1397.26	1254.68	0.03	1254.65

2.4.7 **Insurance Premium**:

In the tariff order for 2016 – 2017, under 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 2016 – 2017, an amount of Rs. 27471.44 lakh was allowed as interest on borrowed capital. The net amount of interest expense (net of capitalization) booked in the annual accounts for 2016 – 2017 is Rs. 23831.54 lakh (Rs. 29699.17 lakh – Rs. 5867.63 lakh) vide Note no. 21. 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 2016-17, WBSETCL has claimed a sum of Rs. 20309.37 lakh for interest charges on borrowed capital of WBSETCL, as under:

Table – 21

Sl. No.	Borrowing Sources	Interest claimed in Form C (Rs. in Lakh)
1	Market bonds for creation of pension fund (12.00%)	-
2	Market bonds for creation of pension fund (8.50%)	2295.00
3	Secured redeemable non-convertible bond (9.75%)	631.98
4	Secured redeemable non-convertible bond (10.29%)	2570.27
5	PFC Limited	246.38
6	REC Limited	10130.81
7	L.I.C.I. Limited	1025.23
8	Term loans from Allahabad Bank	1099.23
9	Term loans from ICICI Bank	225.58
10	NABARD	3526.35
11	Working capital loan from Canara Bank	1227.19
12	Govt. of West Bengal	6721.16
13	Normative loan	3709.00
14	**Total(Summation of 1 to 13)**	**33408.18**
15	Less : Interest capitalization	5867.63
16	Less : Interest on Pension Bond	2295.00
17	Less : Interest on Normative loan	3709.00
18	Less : Interest on working capital loan from Canara Bank	1227.19
19	**Interest chargeable to Revenue Account [19 = (14)-(15)-(16)-(17)-(18)]**	**20309.37**

Thus, WBSETCL's above claim of Rs. 20309.37 lakh as interest does not contain the claim of interest on working capital loan for Rs. 1227.19 lakh, interest on normative loan for Rs. 3709.00 lakh and interest on pension bond for Rs. 2295.00 lakh.

(ii) **Interest on Normative Loan:** WBSETCL has claimed a sum of Rs. 3709.00 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. 311259.92 lakh during the years from 2007 – 2008 to 2016 – 2017 while actual addition to fixed assets is worked out to Rs. 409082.55 lakh during that period as shown in the table below:

Table-2J

Year	Actual addition to debt	Actual addition to Fixed Assets
2007 – 2008	29249	0.00
2008 – 2009	23427	32637.10
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
2016 – 2017	45547.45	59332.71 (ref : reply dated 31.07.21)
Total	**311259.92**	**409082.55**

On this issue, the Commission has already provided its views in the APR order for earlier year. The Commission has also expressed its views 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, thus 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 2016 – 2017.

(iii) On the basis of (i) and (ii), as interest on normative debt has not been allowed thus, the amount admitted by the Commission on the head of interest on borrowed capital comes to Rs. 20309.37 lakh for APR of 2016-17. 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 and Repayment of Pension Bond**:

2.5.2.1 WBSETCL has claimed Rs. 2295.00 lakh in their APR petition under 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 2016 – 2017.

2.5.2.2 As per terms of the Govt. of West Bengal Notification No.313-PO/O/III/3R- 29/2006 dated 19/09/2008, 8.5% Pension Trust Bond of Rs 27000.00 lakh is re-payable in 5 equal annual instalments after 10 years of moratorium period and accordingly 1/5th of Rs.27000 Lakh i.e.Rs.5400 lakh was due in 2016-17. In terms of the supplementary submission dated 18.12.2018, WBSETCL has re-paid an amount of Rs. 5400 lakhs towards first installment of bond issued for mitigation of liabilities against terminal benefit fund. WBSETCL claimed this repayment of Rs 5400 lakh as a charge for reimbursement against ARR for 2016-17. Such amount is accordingly admitted.

2.5.3 **Interest on Working Capital**:

(i) In the ARR for 2016 – 2017, WBSETCL has claimed an amount of Rs. 1138.10 lakh on normative basis as interest on working capital loan against Rs. 552.47 lakhs

admitted in the tariff order. However, in Form C of Volume II, the interest on working capital loan has been shown as Rs. 1227.19 Lakh from Canara Bank.

(ii) WBSETCL obtained short term specific loan from Canara Bank to meet its working capital needs. As per their submission in form 1.17(b) and in terms of Form – C of Annexure – I of APR application, 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 1st April of the year preceding the year for which tariff is proposed to be determined. The rate of interest of SBI PLR as on 01.04.2015 was 14.75% per annum. 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 Reserve Bank of India (RBI) has introduced the Marginal Cost of Funds based Lending Rate (MCLR) in April, 2016 to modify the existing base rate/ Retail Prime Lending Rate (RPLR) System in terms of notification dated 17.12.2015. According to the modified RBI guidelines, banks are required to calculate their MCLR which will be the internal benchmark lending rates. The actual loan pricing will be based on this benchmark depending on the credit standing of the customer and the existing relationship with the bank. In this regard, the Commission observes that the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019, as amended from time to time, provides the rate of interest on working capital on normative basis and considers the rate as one-year MCLR of the State Bank of India issued from time to time plus 350 basis points. The year Marginal Cost of Lending Rates (MCLR of the State Bank of India as on 1st April, 2016 was 9.20%. The Commission thus has considered normative

Interest on working capital at the rate of 12.70 % (9.20 % + 3.50 %) for interest calculation as per regulation 5.6.5.2 of Tariff Regulations. The following table shows the calculation in this regard.

Table-2K

Interest on Working Capital

Sl. No.	Particulars	Amount in Rs. Lakh
1	Annual Fixed charges for 2016 - 2017 (excluding interest on working capital and interest)	119098.67
2	Less: Depreciation	19321.37
3	Less: Advance against depreciation	-
4	Less: Return on Equity	32231.15
5	Less: Reserve for Unforeseen Exigencies	-
6	Less: Deferred Revenue Expenses	
7	Total deductions: (sum of (2) to (6))	51552.52
8	Allowable Fixed Charge for computation of Working Capital (1)-(7)	67546.15
9	Allowable Working Capital @18% on 8	12158.31
10	Interest at State Bank MCLR @9.20% Plus 3.5%	12.70%
11	Interest on Working Capital	1544.11
12	Actual Interest for working capital paid	1227.19
13	**Interest on Working Capital Admitted (Minimum of (11) and (12)**	**1227.19**

The actual interest claimed by WBSETCL being less than the normative interest on working capital, the Commission admits the actual interest of Rs. 1227.19 lakh as per Tariff Regulations.

2.5.4 **Other Finance Charges**:

(i) Under the head of 'Other Finance Charges', an amount of Rs. 34.00 lakh was provided under the head in tariff order for 2016 – 2017. As per the audited annual reports and accounts 2016 – 2017, 'Other Finance Charges' is Rs. 24.95 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. 26.68 lakh though in annual accounts it is shown as Rs. 24.95 lakh. The Commission acknowledges the difference on account of bank charges and considers (in terms of submission dated 30.07.21) to admit the amount of Rs. 26.68 lakh in APR 2016 – 2017 of WBSETCL comprising service fee/commitment charge, guarantee charges and other bank charges. Out of this, the Bank charges for SLDC is Rs 0.01 lakhs (as per audit report) and balance Rs 26.67 lakhs is for transmission business.

2.5.5 Depreciation:

i. In the tariff order of the fourth control period for 2016-17, Rs. 24885.50 lakh was allowed under the head of Depreciation. In annual accounts of WBSETCL for 2016-17, depreciation has been shown as Rs. 19577.81 lakh inclusive of Rs. 1.88 lakh towards depreciation on assets of SLDC as provided in the audit certificate in Volume – II. Depreciation during 2016 - 2017 comes to Rs. 19577.81 lakh on the basis of note – 22 of the audited annual accounts and also in terms of submission dated 30.07.21. Depreciation as reported in Accounts

includes amortisation amount on account of consumer contribution towards Capital Assets and Government Grant following IND AS accounting procedure. THE Commission considers depreciation net of such IND AS adjustment

ii. Depreciation is an uncontrollable head of expenditure in ARR for any base year of the control period and the related ensuing years. Impact of adoption of IND-AS on depreciation head is mainly due to treatment of the depreciation on assets created out of consumers contribution and Government grant which were earlier accounted as deduction from current year's depreciation and net depreciation was considered in ARR. In the Ind-AS account, depreciation is shown at gross value and the related grant / consumer contribution is amortised in accounts through other income head. Under this head, for determination of current year's admissibility, the Commission will consider the net depreciation after adjustment of the corresponding amount shown as income on assets created out of consumer's contribution and Government grant as shown in Annual Accounts of 2016-17. Past adjustment for 2014 – 15 and 2015 – 16 on depreciation will also be considered in current year's APR, as the total depreciation booked in the accounts throughout life of the assets has to be kept in line with the total depreciation admitted through tariff. WBSETCL shall submit its claim in Form B in future APR Petitions accordingly and submit a reconciliation statement of the values with those appearing in its Statement of Accounts along with the APR Petition

iii. Accordingly, effect of IND AS adjustment as detailed in note 35 read with note 18 to Annual Accounts 2016 – 17 needs to be adjusted from depreciation booked in Accounts. Thus, the Commission, admits an amount of Rs. 19323.23 lakh including that of SLDC for Rs. 1.86 lakh in the APR for 2016 - 2017. The breakup of the depreciation admitted for APR 2016 – 2017 is given in tables below:

Table-2Li

Depreciation **(Rs lakh)**

Sl No	Particulars	Total Depreciation including SLDC	Depreciation-SLDC	Depreciation-WBSETCL
1	Depreciation booked in Annual Accounts read with Audit Certificate submitted with APR petition	19577.81	1.88	19575.93
	Less			
2	Amortisation of consumer contribution towards Capital Assets (Note 18 of Audited Accounts) allocated as per ratio of Sl 1 above	228.46	0.02	228.44
3	Amortization of Government Grant (Note 18 of Audited Accounts) allocated as per ratio of Sl 1 above	26.12	0.00	26.12
4	**Net Depreciation admitted in 2016-17 =(1)-(2)-(3)**	**19323.23**	**1.86**	**19321.37**

Table-2Lii

(Rs lakh)

Sl. No.	Sub-heads/ Heads	Allowed in Tariff order 2016 - 2017	Claimed amount in APR Petition	Admitted amount in APR	
				SLDC	WBSETCL
1	Depreciation	24885.50	19577.81	1.86	19321.37

2.5.6 **Advance against Depreciation**:

(i) In the tariff order of 2016 – 17, no advance against depreciation has been allowed. The Tariff Regulations provides 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 1/10th 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 2016-17 –are depicted in the Table-2M below:

Table-2M

Loan Repayment During 2016-17

Sl. No.	Particulars	Amount (Rs. Lakh)	
		Principal amount against Original Loan	Repayment made during 2016–17 $
1	WBSETCL Bonds (9.75%)	18300	-
2	WBSETCL Bonds (10.29%)	25000	-
3	PFC Ltd	36278	198.81
4	RECL	183407	5394.22
5	L.I.C.I	16365	1231.22
6	Term loan from Allahabad Bank	20000	1669.72
7	Term loan from ICICI Bank	9000	1000.00
8	NABARD	53968	1478.87
9	Govt. of W.B.	117195	4850.50
10	Total	**479512.74**	**15823.34**

$ 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 15823.34 lakhs against the depreciation amount of Rs 19323.23 , the Commission does not admit any amount in the APR for 2016 – 2017 as advance against depreciation as per Tariff Regulations.

2.5.7 **Interest Credit**:

The actual amount of loan repayment during 2016 – 2017 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. 340.89 lakhs, as computed hereunder, is deductible from the gross amount of fixed charges.

Table-2N

Interest Credit During 2016-17

Sl. No.	Particulars	Admitted amount in Rs Lakhs
1	Amount of Depreciation	19323.23
2	Loan repayment	15823.34
3	Excess of depreciation over loan repayment (1 – 2)	3499.89
4	Weighted average rate of interest	9.74%
5	**Interest credit**	**340.89**

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 0.04 Lakhs and for Transmission business as Rs 340.85 Lakhs.

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

In the APR application of 2016 – 2017, WBSETCL has claimed an amount of Rs. 10089.69 lakh for income tax. In the tariff order, the admitted amount was Rs. 7633.47 lakh for the year 2016 – 2017. As per the audited accounts, amount considered is Rs. 11687.49 lakh. From Cash Flow Statement for the concerned year certified by the auditors, there was an outflow of cash by Rs. 10049.38 lakh (after adjusting refund of Rs. 1966.85 lakhs pertaining to Assessment Year 2015-16). From the certificate of Chartered Accountant enclosed as Annexure-X and Annexure-XA of Volume-II of the petition following points are observed:

(i) Difference between TDS from long term open access charges by WBSEDCL as per cash flow and as per 26AS for the FY 2016 - 2017 is Nil.

(ii) Difference between TDS from short term open access charges by WBSEDCL as per cash flow and as per 26AS for the FY 2016 - 2017 is Rs. (-) 0.32 Lakh.

(iii) Difference between TDS from banks and others as per cash flow and as per 26AS for the FY 2016 - 2017 is Rs. (-) 40.00 Lakh.

(iv) Final Tax liability as per Income Tax Assessment Order for 2016-17 of Rs. 11859.92 lakhs.

(v) Income tax refund of Rs. (-) 1966.85 lakhs is reflected in cash flow statement, but not reflected in 26AS.

The detail of the Income Tax allowable for APR 2016 – 2017 is given in Table-2O below:

Table-2O

Income Tax During 2016-17

Rs Lakhs

Sl. No.	Particulars	Allowed in Tariff order 2016-17	Claimed in APR Petition	Admitted amount in APR	
				SLDC	WBSETCL
1	Income Tax as per 26 AS	7633.47		0	0.00
2	TDS from LTOA charges by WBSEDCL		11514.95		11514.95
3	TDS from STOA charges by WBSEDCL		210.15		210.15
4	TDS by Banks and Others		331.44		331.44
5	**Total TDS for 2016-17**		**12056.54**		**12056.54**
6	Final Tax liability as per IT AO for 2016-17		11859.92		11859.92
7	Refund for AY 2015-16		(1966.85)		(1966.85)
	OVERALL (6+7)	7633.47	**9893.07**		**9893.07**

Thus, the admitted amount for income tax in APR of 2016-17 for WBSETCL is Rs 9893.07 lakhs.

2.7 **Reserve for Unforeseen Exigencies**:

In the tariff order for 2016 – 2017, 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 licensees. The Commission does not consider to allow any amount under this head in APR 2016 – 2017. WBERC 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. 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 2016-17 of WBSETCL, following points are observed:

(i) The closing balance of general reserves for 2016-17 is Rs. 228600.45 lakh as per Reserve & Surplus schedule (page 100) of annual accounts;

(ii) The actual addition/deletion to the equity base in 2016-17 is Rs 40762.15 as per Reserve & Surplus schedule (page 100) of annual accounts.

(iii) The Consumer's Contribution in 2016-17 is Rs 9254.26 lakh and for 2015-16 is Rs 7600.35 lakh as per note-13 of annual accounts and Form 1.18 of Volume II of APR petition. The net accretion to consumer Contribution during the year 2016-17 is accordingly Rs 1653.91 lakh (9254.26 - 7600.35).

(iv) The Government Grant in 2016-17 is Rs 2283.25 lakh and for 2015-16 is Rs 2268.34 lakh as per note-13 of annual accounts. The net accretion to consumer Government Grant during the year 2016-17 is accordingly Rs 14.91 lakh (2283.25 - 2268.34).

(v) The admissible equity base at the beginning of the year is considered as Rs. 199293.35 as per closing balance computed in APR order of 2015-16.

(vi) From note 1 (Fixed Assets) of the notes to accounts of audited annual accounts as well as Form 1.18 of Annexure – I of Volume-II of APR application for 2016 – 2017, it is observed that during 2016-17, the addition to fixed assets was Rs. 59332.71 lakh which has been reduced by consumer contribution for Rs 1653.91 lakh and government grant of Rs 14.91 lakh during the year 2016-17 resulting into net asset addition to Rs. 57663.89 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	187838.3
	Total	**298390.3**
2	Admissible equity base at the beginning of the year	199293.35
3	Addition to Equity base during the year	40762.15
4	Actual Equity base at the end of the year	339152.45
5	Net Addition to the original cost of Fixed Assets during the year	57663.89
6	Normative addition to Equity [30% of sl. No. (5) above]	17299.17

Sl. No.	Particulars	Admitted Amount in Rs Lakhs
7	Amount to be considered as addition during the year being lower of (3) & (6)	17299.17
8	Admissible Equity Base at the end of year [(8)= (2)+(7)]	216592.52
9	Average admissible Equity Base [(2)+(8)/2]	207942.93
10	**Allowable return @ 15.5% on sl. No. (9) above**	**32231.15**

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

(i) WBSETCL is operating the associated transmission system constructed by the West Bengal Power Development Corporation Limited (in short 'WBPDCL') in respect of the Bakreswar and Santaldih Power Stations. WBPDCL is to recover the expenditure incurred by them relating to these transmission systems from WBSETCL in instalments. In terms of tariff order of WBPDCL for 2016 – 2017, the amount to be recovered in 2016 – 2017 on this account was Rs. 2907.11 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 WBPDCL during the year 2016 – 2017 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 2016-17. Thus, an amount of Rs. 4676.26 lakh (Rs. 2907.11 lakh + Rs. 1769.15 lakh) was payable to WBPDCL by WBSETCL during 2016 – 2017.

(ii) As per note – 23 of the audited accounts 2016 – 2017, an amount of Rs. 4676.26 lakh was paid by WBSETCL towards transmission charges to WBPDCL during 2016 – 2017. The Commission now admits the amount of Rs. 4676.26 lakh on account of charges payable to WBPDCL for Bakreswar and Santaldih transmission systems in the APR for 2016 – 2017, 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 2016 – 2017 in the APR order for 2016 – 2017 in respect of WBPDCL. Adjustment, if any, on the payable amount of WBSETCL to WBPDCL for the Bakreswar and Santaldih Transmission systems due to APR of WBPDCL for 2016 – 2017, shall be dealt with in the tariff order in respect of WBPDCL for the subsequent period.

2.10 Charges Payable to Eastern Regional Power Committee (ERPC) and Rebate to CESC:

2.10.1 Charges Payable to Eastern Regional Power Committee (ERPC)

As per note 23 of the annual accounts of 2016 – 2017, 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 2016 – 2017 of WBSETCL.

2.10.2 Rebate to CESC

In Annexure-1 of Volume-II of APR petition, Rs 26.96 lakh has been claimed. In reply dated 30.07.2021 in response to the letter of the Commission dated 10.05.2021, WBSETCL has stated that initially a Rebate @2% was allowed to CESC for timely payment of LTOA Charges in line with existing Transmission Service Agreement with WBSEDCL, however, subsequently when the agreement was finalized with CESC, no such rebate clause was inserted and hence no rebate was allowed to CESC in subsequent years. The rebate so allowed to CESC was subsequently recovered in 2017 – 2018 and 2018 – 2019. The Commission admits Rs 26.96 lakh for Rebate to CESC for the year 2016 – 2017.

2.11 Incomes from Non-Tariff Sources:

2.11.1 The incomes from other non-tariff sources during the year 2016 – 2017 was Rs. 3661.73 lakh as per note 19 of the annual accounts of WBSETCL against Rs. 2096.43 lakh considered in the tariff order for 2016-17. As per form 1.26 of Vol-II of APR petition, income from other non-tariff sources is Rs. 3661.73 lakhs. Out of total Rs. 3661.73 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. 556.74 lakh on fixed deposits against reserve for unforeseen exigencies is required to be reinvested in terms of the Tariff Regulations.

(ii) Rs. 776.36 lakhs on account of income from investment and bank.

2.11.2 Impact of adoption of Ind-AS on Income from non-tariff sources is due to change in presentation due to depreciation since it is decided in para 2.5.5 above depreciation will be allowed at net value thus the portion of income that is adjusted in depreciation will not be considered under this head. However, due to change in opening balance, the impact on first year of adoption of Ind-AS of such change in estimation of depreciation is considered. Such impact is computed as follows:

a. IND AS adjustment for first time adoption

i. Amortisation of consumer contribution towards Capital Assets (Note 18 of Audited Accounts)- Rs 128.90 lakh

ii. Amortization of Government Grant (Note 18 of Audited Accounts)- Rs 0.18 lakh

Total 129.08 lakh

Thus, an amount of Rs. 2457.71 lakh (Rs. 3661.73 lakh – Rs. 556.74 – Rs. 776.36 lakh+ Rs 129.08 lakh) is arrived at towards income from non-tariff sources including relevant amount on IND AS adjustment and the same is admitted as non-tariff income of WBSETCL by the Commission in the APR for 2016 – 2017.

2.11 State Load Despatch Centre Charges:

(i) In the tariff order of WBSETCL for 2016 – 2017, in paragraph 4.4.7, the Commission has admitted an amount of Rs. 1738.62 lakh as ULDC charge and considered it as a part of SLDC charges. In the APR petition of 2016-17, WBSETCL has claimed an amount of Rs. 495.71 lakh as ULDC charges. From note 8 of the annual accounts of SLDC submitted in Volume - III of the petition, it is observed that an expenditure of an amount of Rs. 495.71 lakh has been incurred as an ULDC charge. Thus, the Commission finds it suitable to consider Rs. 495.71 Lakh as ULDC charges under SLDC expenses for the year 2016 – 2017.

(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 different heads are described in Table–2Q below:

Table-2Q

Computation of SLDC Charges

Rs. Lakh

Sl. No.	Particulars	Allowed in Tariff Order 2016 - 2017	Admitted in APR
1	ULDC Charges	1738.62	495.71
2	Employee cost	504.01	406.53
3	Repair & maintenance expenses		87.99
4	Administrative & General charges	209.14	38.16
5	Cost of outsourcing (security charges & vehicle hiring charges)		19.24
6	Rates & taxes	-	0.03
7	Bank charges	0.60	0.01
8	Depreciation	-	1.86

Sl. No.	Particulars	Allowed in Tariff Order 2016 - 2017	Admitted in APR
	OVERALL Expenses	2452.37	1049.53

2.12 Income from Short Term Open Access (STOA):

As per note 18 of the annual report and accounts for 2016 - 2017, an amount of Rs. 5911.23 lakh was earned by WBSETCL under the said head. Thus, total income of Rs. 5911.23 lakh from STOA charges is being considered by the Commission as an income during the year 2016 - 2017 and dealt in Chapter-3.

2.13 Incentive for Transmission Licensee:

In their APR application, WBSETCL has submitted detailed calculation for incentive on the basis of their annual availability of 99.79 % during the year 2016 – 2017. 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 has claimed an amount of Rs. 46.05 lakh as incentive in its APR submission. In accordance with paragraph 8 of schedule 10 of the Tariff Regulations, the Commission admits an amount of Rs. 44.76 lakh on account of incentive in the APR for 2016 – 2017.

Table-2R
Computation of Incentive

Rs. Lakh

Sl. No	Item	Amount
1	Net Revenue requirement of WBSETCL excluding incentive (Refer Annex. – 2A)	117527.30
2	Less. STOA charge received as per Audited Account	5911.23
3	Net Annual Transmission charges	111616.07

Sl. No	Item	Amount
4	Annual availability	99.79%
5	Target availability	99.75%
6	Incentive [(3) x (4) – (5) / (5)]	44.76

2.14 **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-2S. The allowable fixed charges for WBSETCL comes to Rs. 118980.96 lakhs.

Table-2S
Fixed Charge Computation

Rs Lakhs

Sl. No.	HEAD OF FIXED CHARGES	Claimed in APR	Admitted in APR	SLDC	Transmission Business
1	Employee Cost	15985.46	15988.77	406.53	15582.24
2	Repairs and Maintenance (R&M)	4898.17	4426.31	87.99	4338.32
3	R&M for new Expansion Work				
4	Administrative and General charges	1080.38	1075.21	38.16	1037.05
	License Fees & Filing Fees of WBERC	279.71	279.71		279.71
5	Outsourcing	2524.46	2430.09	19.24	2410.85
6	Rates & Taxes (Other than on Income & Profit) incl. service & entry tax	1397.26	1254.68	0.03	1254.65
7	Insurance Premium				

Sl. No.	HEAD OF FIXED CHARGES	Claimed in APR	Admitted in APR	SLDC	Transmission Business
8	Interest on Capital borrowings	20309.37	20309.37		20309.37
9	Interest on normative loan	3709.02	0		-
10	Interest on Bonds for creation of Pension Fund	2295	2295.00		2295.00
11	Repayment of Pension Bonds	5400	5400.00		5400.00
12	Other Finance Charges	26.68	26.68	0.01	26.67
13	Depreciation	19577.81	19323.23	1.86	19321.37
14	Advance against Depreciation	3962.51			
15	Scrapped Assets Write Off				
16	Taxes under Income Tax Act	10089.46	9893.07	0	9893.07
17	Reserve for Unforeseen Exigencies				
18	Returns on Equity	32453.24	32231.15		32231.15
19	Charges payable to WBPDCL on account of Bakreswar & Santaldih transmission systems	4676.26	4676.26		4676.26
20	ULDC Charges	495.71	495.71	495.71	
21	Charges payable to ERPC	16	16.00		16.00
22	Rebate to CESC	26.96	26.96		26.96
23	**Revenue Requirement (1 to 22)**	**129203.46**	**120148.20**	**1049.53**	**119098.67**
24	Interest on Working Capital	1227.19	**1227.19**		**1227.19**
25	**Gross Revenue Requirement (23+24)**	**130430.65**	**121375.39**	**1049.53**	**120325.86**
26	**Less:**				
27	Income from non-tariff sources / other income	2328.63	2457.71		2457.71
28	Interest Credit	0	340.89	0.04	340.85
29	**Net Revenue Requirement [(25)-(27)-(28)]**	**128102.02**	**118576.79**	**1049.49**	**117527.30**
30	Add: Incentive	48.25	44.76		44.76
31	**Aggregate Revenue Requirement (ARR) [(29)+(30)]**	**128150.27**	**118621.55**	**1049.49**	**117572.06**

2.15 As per the statement in Table 2S the net amount of Annual Fixed Cost (AFC) for the year 2016 – 2017 comes to Rs. **118621.55** lakh.

Annexure 2A

Distribution O&M parameters:

Inflation

Particulars	Tariff Order	APR Order
WPI	6.62%	3.70%
CPI	9.15%	4.15%
WPI : CPI (60 : 40)	7.63%	3.88%

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
2015-16	256	258	261	263	264	266	269	270	269	269	267	268
2016-17	271	275	277	280	278	277	278	277	275	274	274	275

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
2016-17	5.86	6.59	6.13	6.46	5.30	4.14	3.35	2.59	2.23	1.86	2.62	2.61	4.15

Average value is computed

Monthly Inflation Rate based on WPI from Office of the Economic Adviser, GOI based on 2004-05 Series

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2015-16	176.4	178.0	179.1	177.6	176.5	176.5	176.9	177.5	176.8	175.4	174.1	175.3
2016-17	177.8	180.2	182.9	184.2	183.3	183.2	183.6	183.5	183.3	185.1	185.5	185.8

Monthly Inflation Rate based on WPI in %

Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2016-17	0.79	1.24	2.12	3.72	3.85	3.80	3.79	3.38	3.68	5.53	6.55	5.99	3.70

Average value is computed

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 2016 – 2017 comes to Rs. 118621.55 lakh out of which Rs 117572.06 lakh is related to transmission business of WBSETCL and the same shall be considered as realizable revenue from operation of WBSETCL for 2016 – 2017.

3.2 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 and 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 2016 – 2017. The Commission will consider to adjust the recoverable amount as admitted in the above orders in the tariff order for 2022 – 23 or any subsequent tariff order.

3.3 On the basis of the above discussions, the total amount of revenue recoverable through tariff by WBSETCL for the year 2016 – 2017 is as under:

REVENUE RECOVERABLE THROUGH TARIFF FOR THE YEAR 2016 – 2017		
Sl. No.	Particulars	Amount in Rs. Lakh
1	Aggregate Revenue Requirement in for 2016 – 2017 in respect of transmission business of WBSETCL (as shown in paragraph 2.16)	117572.06

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

(i) As per note 18 to the annual report and accounts 2016 – 2017, the transmission charge realized during 2016 – 2017 was Rs. 117818.23 lakh.

(ii) The Commission in its orders dated 04.03.2015 and 22.06.2015 in case no. TP-60/13-14 allowed WBSETCL to recover an amount of Rs. 117845.19 lakh as transmission

charge for 2016 – 2017 from its system users and any under recovery for the year 2016 – 2017 had to be realized in 5 (five) equal instalments through the bills for the month of/pertaining to November 2016 onwards.

(iii) WBSETCL has also earned Rs. 5911.23 lakh on account of short term open access charges during the year 2016 – 2017 as already explained in paragraph 2.13 in chapter 2 of this order. The amount of Rs. 5911.23 lakh is also to be considered as revenue income during the year 2016 – 2017.

(iv) WBSETCL has not booked any revenue from transmission charges on Inter-state transmission line in FY 2016.17. Based on the CERC order dated 29th June 2015 in respect of inter-state lines namely 400 KV single circuit Kolaghat-Baripada transmission line and 220 KV single circuit Santaldih transmission line for the period 01.07.2011 to 31.03.2014, WBSETCL had booked a revenue of Rs 7852.87 lakh in FY 2015-16 as per the Accounting policy of the company though no amount was realised during 2015 -16. WBSETCL started receiving amount under this head from 2016-17. An amount of Rs 16834.79 lakh was received by WBSETCL during the year 2016-17 out of which Rs 7852.87 lakh was provided in the Annual Accounts of WBSETCL for FY 2015-16 and already considered as revenue income in APR for 2015-16. Thus, the balance amount of Rs 8981.92 is considered as income during the year 2016-17.

(v) Thus, the total revenue income during the year 2016-17 comes as under.

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Revenue from transmission charged as per note 18 of audited annual reports and accounts of WBSETCL for 2016 – 2017	117818.23
2.	Add: Revenue from Short term open access charges pertaining to WBSETCL only excluding scheduling SLDC charges (Refer paragraph 2.13)	5911.23
3.	Revenue from Inter-State Transmission Charge (ISTL) (Para 3.4 above)	8981.92

Sl. No.	Particulars	Amount (Rs. in Lakh)
4.	Revenue realized from operation for the year 2016 – 2017	**132711.38**

3.5 As observed from paragraph 3.3 and 3.4 above, WBSETCL has an over-recovery of Rs. 15139.32 lakh as given below:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Approved realizable revenue admitted in APR for 2016 – 2017	117572.06
2.	Actual amount of revenue from operation realized for the year 2016 – 2017 as per paragraph 3.4	132711.38
3.	Additional net revenue amount to be recovered for 2016 – 2017	**-15139.32**

3.6 In terms of the Tariff Regulations, the over recovery of Rs. 15139.32 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 or any ensuing year or in a separate order.

3.7 WBSETCL is directed to comply with the directions given in the preceding chapter of this order.

3.8 WBSETCL is to take a note of this order.

Sd/-	Sd/-	Sd/-
(PULAK KUMAR TEWARI)	(DURGADAS GOSWAMI)	(SUTIRTHA BHATTACHARYA)
MEMBER	**MEMBER**	**CHAIRPERSON**

Dated:28.04.2022

Sd/-
SECRETARY