



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

IN CASE NO. SM - 29/20-21

IN REGARD TO SUO-MOTU ORDER OF THE COMMISSION
REGARDING APPROVAL OF INVESTMENTS FOR THE
PROJECTS PARTLY FUNDED BY THE GOVERNMENT
THROUGH GRANTS AND DIRECT INVESTMENT IN THE FORM
OF LOAN AND EQUITY BY THE DISTRIBUTION LICENSEE.

PRESENT:

**SRI SUTIRTHA BHATTACHARYA, CHAIRPERSON
SRI DURGADAS GOSWAMI, MEMBER
SRI PULAK KUMAR TEWARI, MEMBER**

DATE: 23.03.2022



Suo-Motu order of the Commission regarding approval of investments for the projects partly funded by the Government through grants and direct investment in the form of loan and equity by the distribution licensee



Facts in brief:

- 1.0 In terms of regulation 2.5.2 read with Schedule - 2 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended (in short 'Tariff Regulations') a licensee shall submit their Perspective Plan along with their Tariff Petition and the Commission shall approve the perspective plan with appropriate modifications as may be considered necessary in terms of regulation 2.9.3 of the Tariff Regulations. In addition, the licensee shall also seek approval of specific project wise capital investments separately under regulations 2.8.1.4 2.8.2.3, 2.8.2.4 2.8.3, 2.8.4 and 2.11.1 of the Tariff Regulations.
- 2.0 The objective is to ensure optimum investment specified under section 61 (c) of the Electricity Act, 2003 and to minimize the investment risk of the licensees. The relevant regulation of the Tariff Regulations is reproduced below

"2.8.2.3 The approval of the Commission for investment in new transmission project commissioned after 31.12.2007 is mandatory. Similarly, the approval of the Commission for distribution project whose cost is above rupees one hundred and twenty-five crore or 5% of the gross fixed asset of distribution business of the licensee at the time of taking up the project, whichever is lower and commissioned after the publication of these regulations is mandatory. Such approval in both cases shall be taken before investment is made in order to minimize their investment risk. Any subsequent revision of such investment must also be required to be got approved by the Commission before filing application for determination of tariff. For the investment approval licensee shall submit an application along with a gist "
- 3.0 The Commission vide Suo Motu Order dated 18.01.2021 in Case No. SM – 26/ 20 – 21 directed that the approval of the Commission shall not be required in terms of the provision of the Tariff Regulations where the project is fully funded by the Government through grants.



Suo-Motu order of the Commission regarding approval of investments for the projects partly funded by the Government through grants and direct investment in the form of loan and equity by the distribution licensee



4.0 The Commission considering the spirit of regulation 2.8.2.3 read with the Suo Motu order dated 18.01.2021 is of the view that when the Government contributes substantial amount to a project as grant, the techno-economic scrutiny has already been taken into account by the Government and thus no further scrutiny may be required by the Commission particularly when the net investment by the distribution licensee is within the capping limit of Rs. 125 Crores or 5% of the gross fixed assets whichever is lower. In view of the above, the Commission is of the considered opinion that the investment risk for a distribution licensee should be based on the net investment made which is above Rs. 125 Crores or 5% of the gross fixed asset, whichever is lower, after considering any government grant and not on the total value of the project. This shall help in saving valuable time and help in expeditious implementation of the project by the distribution licensee and thus will be beneficial to the consumers.

ORDER

5.0 In view of the above, the Commission decides that, henceforth prior approval of the Commission shall not be required in terms of regulation 2.8.2.3 of the Tariff Regulations, where the project is partly funded by the Government through grants and the direct investment made by the Distribution Licensee (through loan and equity) is within Rs. 125 crores or 5% of the gross fixed assets whichever is lower.

6.0 The Commission also directs the distribution licensees to submit the following:

- (i) Approval of the actual project costs in terms of regulation 2.8.5 of the Tariff Regulations after completion of the project.
- (ii) Annual statement specifying the details of all such projects along with the APR application.

7.0 All distribution licensees under the purview of this Commission are to take a note of this order.

8.0 A copy of the order shall be posted in the website of the Commission.



Suo-Motu order of the Commission regarding approval of investments for the projects partly funded by the Government through grants and direct investment in the form of loan and equity by the distribution licensee



- 9.0 The distribution licensees shall download the copy of the order from the website of the Commission and act on it. Certified copy of the order, if applied for, be given to the parties on completion of formalities laid down in the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013, as amended and on submission of necessary fees.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(DURGADAS GOSWAMI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

DATED: 23.03.2022

Sd/-
SECRETARY