



ORDER

OF

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

FOR THE YEAR 2017 – 2018

IN

CASE NO: TP – 68 / 16 – 17

IN RE THE MULTI YEAR TARIFF APPLICATION

OF HALDIA ENERGY LIMITED

UNDER FIFTH CONTROL PERIOD

FOR THE YEAR 2017 – 2018

UNDER SECTION 64(3)(a) READ WITH SECTION

62(1) AND SECTION 62(3) OF THE ELECTRICITY ACT, 2003

DATE: 27.11.2017



CHAPTER - 1 INTRODUCTION

- 1.1 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”), a statutory body under the first proviso to section 82(1) of the Electricity Act, 2003 (hereinafter referred to as the “Act”), has been authorized in terms of the section 86 and section 62(1) of the Act to determine the tariff for a) supply of electricity by a generating company to a distribution licensee, b) transmission of electricity, c) wheeling of electricity and d) retail sale of electricity, as the case may be, within the State of West Bengal.
- 1.2 Haldia Energy Limited (hereinafter referred to as HEL), constituted under the Companies Act, 1956, is a generating company in terms of section 2(28) of the Act and is engaged in the business of generation of electricity within the State of West Bengal and the generation tariff of HEL shall be determined by the Commission.
- 1.3 West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 has come into effect with effect from 29th April, 2011. The said Tariff Regulations, 2011 was further amended by notifying the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) (Amendment) Regulations, 2012 in the extra ordinary edition of The Kolkata Gazette dated 27th August, 2012 and West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) (Amendment) Regulations, 2013 in the extra ordinary edition of The Kolkata Gazette dated 30th July, 2013.
- 1.4 In terms of definition contained in regulation 1.2.1 (xxx) of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time (hereinafter referred to as the ‘Tariff Regulations’), each control period after third control period shall be normally for a



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period of five ensuing years or such other period of number of ensuing years as may be decided by the Commission from time to time. The Commission vide order dated 19.07.2013 in Case No. SM-7/13-14 decided the fourth control period consisting of three ensuing years and the tenure of the fourth control period was for the years 2014 – 2015 to 2016 – 2017. It was also decided by the Commission vide his order dated 04.05.2016 in Case No. SM-13/16-17 that the fifth control period shall also be consisting of three ensuing years for the period from 2017 – 2018 to 2019 – 2020. But, after careful consideration of all relevant factors, decided vide its order dated 14.12.2016 in Case No. SM-15/16-17 that the fifth control period shall be for one year and consist of 2017 – 2018 only.

- 1.5 In terms of the Tariff Regulations, the tariff applications for the fifth control period consisting of the year 2017 - 2018 under the Multi Year Tariff (MYT) framework was required to be submitted by HEL 120 days in advance of the effective date of the said control period. The effective date of the fifth control period is 1st April, 2017. HEL submitted the petition for determination of tariff for the fifth control period consisting of the year 2017 - 2018 on 28th December, 2016.
- 1.6 The tariff application submitted on 28.12.2016 along with the information / data, documents submitted as per Tariff Regulations (collectively called as “tariff application”), were admitted by the Commission in case No.TP-68/16-17, with the direction to publish the gist of their tariff application, as approved by the Commission, in the news papers and also in their website as per provisions of the Tariff Regulations. The gist was, accordingly, published simultaneously on 07.03.2017 in the news papers – (1) Ekdin (Bengali), (2) Dainik Statesman (Bengali), (3) Janasatya (Hindi) and (4) BusinessLine (English). The Commission noted that the said publication in those newspapers is not in consonance with the stipulations contained in Commission’s letter dated 02.03.2017 nor does satisfy the requirement for publishing the Gist of Tariff



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Petition in the daily newspapers “widely circulated in the area’ as specified in Regulation 2.7.3 of the West Bengal Electricity Regulatory Commission (Terms and conditions of tariff) Regulation, 2011. The Commission accordingly advised HEL to publish the gist in newspapers ‘widely circulated in the area’ forthwith. The Gist was subsequently published simultaneously on 18.03.2017 in- (i) ‘The Times of India’ (English), (ii) ‘Ei Samay’ (Bengali), (iii) ‘Bartaman’ (Bengali) and (iv) ‘Dainik Viswamitra’ (Hindi). The gist along with the tariff application was also posted in the website of HEL. The publication invited the attention of all interested parties, stake holders and the members of the public to the application for determination of tariff of HEL for the fifth control period and requested for submission of suggestions, objections and comments, if any, on the tariff application to the Commission by 29.03.2017 at the latest. Opportunities were also afforded to all to inspect the tariff application and to take copies thereof.

- 1.7 No suggestions and objections on the aforementioned application of HEL for determination of tariff for the fifth control period were received from any interested party, stake holder and the member of the public till the last date of submission as above.



CHAPTER - 2 THE CASE OF HEL

- 2.1. It has been stated that the instant application for Tariff for the financial year 2017 - 2018 under the fifth control period has been submitted pursuant to the regulation 2.5.1 of the Tariff Regulations for determination of Tariff to be made effective from 1st April, 2017. The tariff application is in three volumes, each volume containing different parts of the total application, which is posted in the website of the Commission.
- 2.2. HEL owns and operates a 2X300 MW coal fired Thermal Power Station located at Baneswar Chak, Haldia, East Midnapore. The dates of commercial operation of the two units of the generating station are 28.01.2015 and 21.02.2015.
- 2.3. HEL has submitted that the information furnished in the prescribed formats only for computation of fuel cost, along with Accounting Statements, extracts of Books of Accounts, Audited Financial Performance for the period from 2014 – 2015 to 2015 – 2016.
- 2.4. In regards to fixed cost elements of the tariff HEL has claimed the same amount of capacity charges as admitted by the Commission for determination of tariff for the year 2016-17. No information/data in prescribed formats for fixed cost elements as per Tariff Regulations have been submitted by HEL.
- 2.5. **The Submission of HEL on different issues and against their claim under different heads of accounts are summarized as below:**

2.4.1 Status of Generating Stations:

HEL has submitted that presently they have total generating capacity of 600 MW from 2 (Two) units of its generating stations at Haldia. COD of the two units of the generating station are 28.01.2015 and 21.02.2015



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2.4.2 Generation Targets from different generating stations of HEL for 2017 – 2018:

HEL has submitted generation projection from the power plants, based on the norms set by the Commission in its order dated 20.01.2016 in case No.OA-121/11-12.

2.4.3 Auxiliary Consumption, Station Heat Rate etc.:

HEL has submitted that the proposed auxiliary consumption has been arrived at considering the normative auxiliary consumption as approved by the Commission through its order dated 20.01.2016.

HEL has considered the Station Heat Rate (SHR) norms as specified in the order dated 20.01.2016.

All other parameters viz. specific oil consumption, transit loss, etc. has been considered as per norms specified in the order dated 20.01.2016.

2.4.4 Gross & Net Energy Generation:

HEL has submitted that the gross generation of 4383 MU and net generation of 3988 MU from its generating station has been arrived based on the technical norms as specified in the order dated 20.01.2016:

2.4.5 Cost of Fuel:

The primary fuel cost has been arrived at by HEL by estimating the coal consumption based on the technical parameters of the generating station. The fuel mix are based on the estimated availability of quality and quantity of coal from different sources i.e., Mahanadi Coalfields Limited (MCL), e-auction coal and imported coal. HEL submitted that as per Fuel supply Agreement, in line with



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the New Coal Distribution policy, MCL will supply at least 75% of the Annual Contracted Quantity (ACQ) in the fifth control period. To fulfill the requirement of additional coal HEL has proposed to source coal through e-auction mechanism of CIL and foreign sources through import. HEL has proposed sourcing 69.3% of the required coal from MCL, 7.1% from e-auction and 23.6% from import during 2017-18. The prices of indigenous coal and oil and railways freight have been considered by HEL based on the latest price notified by the respective authorities. Average price of imported coal has been considered at Rs.4364.00 per MT.

The coal cost is further added up to include the railway freight charges for transportation of coal from respective coal mines to the generating stations. The freight charge is estimated for the year 2017 – 2018 on per MT of coal.

The cost of secondary fuel oil is estimated based on the projected secondary oil consumption for the year 2016 - 2017.

2.4.6 Fixed Cost :

2.4.6.1 In regard to claim of Fixed Cost for 2017-18 submission of HEL is as below:

HEL has submitted the petition for revision of project cost on 22.07.2014. Thereafter on 22nd August 2014 HEL submitted MYT petition for 2014-15, 2015-16 and 2016-17. The Commission based on 95% of the revised project cost, determined the allowable capacity charges for 2014-15, 2015-16 and 2016-17 vide orders dated 29.01.2016 in case No. TP-64/14-15 read with order dated 20.01.2016 in case No.OA-121/11-12. It was stated in the said order dated 29.01.2016 that tariff for the year 2016-17 shall be applicable from 1st April 2016 and shall continue till further order of the Commission. The Commission admitted fixed cost of Rs.88586.00 Lakh for the year 2016-17 based on 95% of the



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revised project cost submitted by HEL. Since project cost has not yet been finalized and as break-up of different fixed cost components are not available from the Tariff order for 2016-17, HEL proposed to allow Rs. 88586.00 Lakh as the fixed cost for year 2017-18.

2.4.6.2 The Commission in consideration of the submissions of HEL admits Rs. 88586.00 Lakh as fixed cost for the year 2017-18.



CHAPTER - 3 ALLOWABLE FUEL COST

3.1 Fuel Cost:

- 3.1.1 An examination of the projected fuel cost claimed by HEL for the year 2017 – 2018 of fifth control period under different heads for its generating station has been taken up in this chapter. For the purpose of fuel cost calculation and energy charge determination under this chapter, the energy generated from a generating station has been considered as per normative PLF of the generating station but it shall be noted that capacity charge recovery of the generating station shall be on the basis of normative PAF.
- 3.1.2 HEL projected fuel cost for its generating station for Rs. 114138.00 Lakh for 2017-18.
- 3.1.3 In the tariff application for the year 2017 - 2018, HEL has proposed fuel cost on the basis of norms of plant load factor, auxiliary consumption rate, oil consumption rate, station heat rate and transit and handling losses of coal as determined by the Commission in the order dated 20.01.2016 in case No.OA-121/11-12. However, while proposing fuel cost for the year, it is stated by HEL that fuel mix is based on the estimated availability of quality and quantity of coal from different sources i.e., Mahanadi Coalfields Limited (MCL), e-auction coal and imported coal. HEL submitted that as per Fuel supply Agreement, in line with the New Coal Distribution policy, MCL will supply at least 75% of the Annual Contracted Quantity (ACQ) in the fifth control period. To fulfill the requirement of additional coal HEL has proposed to source coal through e-auction mechanism of CIL and foreign sources through import. HEL has proposed sourcing 69.3% of the required coal from MCL, 7.1% from e-auction and 23.6% from import during 2017-18. HEL considered the average price of coal as per the notified price of



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Coal India Limited w. e. f. 30.05.2016 for the year 2017 – 2018 for indigenous coal.

3.1.4 The Commission, after careful consideration of the submission of HEL in line with the provision of the Tariff Regulations, decides the following for tariff determination at this stage:

- (i) The Commission does not consider to allow use of imported coal at the tariff determination stage and decides the total 23.6% requirement of coal to be met through e-auction.
- (ii) The price of e-auction coal is considered with 30% hike over the price of linkage coal of the same grade.
- (iii) The Commission finds no requirement of conversion of GCV to UHV in respect of e-auction coal in terms of regulation 5.8.15 of the Tariff Regulations.

3.1.5 The cost of oil for different generating stations for the base year 2016 – 2017 has been estimated by HEL on the basis of cost actually incurred by different generating stations at the time of submission of petition. The same cost is also projected for the year 2017 – 2018, which is admitted by the Commission.

3.1.6 Commission considers the price of oil for the year 2017 – 2018 as projected by HEL for that year. The Commission determined average price of coal based on the notified price of Coal India Limited effective from 30.05.2016 considering projected coal-mix of different grades of coal submitted by HEL in Form D-1 to Annexure – I of the Tariff Regulations, with due consideration of the decisions recorded at paragraph 3.1.4 above. Related charges and statutory levies are also



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considered as per latest price notifications to determine unit price of all grades of coal.

3.1.7 Coal Transportation Cost:

HEL estimated coal transportation charges by Rail @ Rs. 1075.00 per MT. It is submitted that transportation of coal by rail has been considered based on the circular dated 22.08.2016 issued by Railway Board, Ministry of Railways, Govt. of India. In reply to Commission's letter dated 02.03.2017, HEL submitted details of coal sourcing during 2017 – 2018 through the letter dated 05.04.2017.

The Commission noted that projection of coal transportation cost is on a higher side, considering the rates as per the circular dated 22.08.2016, the allowable transportation charges of coal are determined at Rs. 954.00 per M.T. Computations are shown in Annexure 3B to this chapter.

3.1.8 The Commission has adopted the procedure for calculation of the fuel cost in accordance with regulation 5.8.1(ii) of the Tariff Regulations and normative parameters applicable to HEL determined by the Commission in the order dated 20.01.2016.

3.1.9 Accordingly, the average oil price and the average coal price considered for the generating station of HEL for the year 2017 - 2018 of the fifth control period are shown below:

| Generating Station | Average Coal Price in Rs./MT | Average Oil Price in Rs./KL |
|--------------------|------------------------------|-----------------------------|
| | 2017-2018 | 2017-2018 |
| HEL | 2631.79 | 49809.00 |

3.1.10 The Commission determined average heat value of coal, based on allocation of different grades of coal submitted by HEL in form D(1) of the tariff petition and by



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application of the process of interpolation in terms of regulation 5.8.15 of the Tariff Regulations, except for e-auction coal as decided in paragraph 3.1.4 of this chapter. Heat Values of coal and oil admitted by the Commission are shown below:

| Generating Station | Heat Value of Coal in Kcal/Kg | Heat Value of Oil in Kcal/Lit |
|--------------------|-------------------------------|-------------------------------|
| | 2017-2018 | 2017-2018 |
| HEL | 2504.00 | 9456.00 |

The computation of average heat value and average price of coal are shown in Annexure 3A.

3.2 On the basis of above average price of coal and average price of oil and as per above heat value of fuel and normative parameters as approved by the Commission, the allowable fuel costs are shown by detailed computations in the tables at Annexure 3C as enclosed to this chapter. The Commission views that if there is any variation in fuel price in future from the fuel price to be considered in this order for ensuing years, HEL should take the course of application of Monthly Fuel Cost Adjustment (MFCA) in terms of regulation 5.8.9 and 5.8.10 of the Tariff Regulations.

3.3 The admitted fuel cost and average energy charge for the generating station of HEL for the year 2017 - 2018 is given hereunder:

| Generating Station | Total fuel cost as admitted by the Commission (Rs. lakh) |
|---------------------------|---|
| | 2017-2018 |
| HEL Fuel Cost | 110652.56 |
| Ex-bus Generation | 3988.53 |
| Energy Charge (Paise/kWh) | 277.43 |



ANNEXURE – 3A COMPUTATION OF HEAT VALUE AND PRICE OF COAL FOR THE YEAR 2017 – 2018

Determination of minimum useful heat value and price of coal

| Source/grade of coal | Qty projected | Qty (%) | Unit price in Rs/Tonne | Price X qty in Rs. | Minimum GCV of Grade | Minimum Useful Heat Value through Interpolation process | Minimum UHV X Qty |
|----------------------|----------------|---------------|------------------------|--------------------|----------------------|---|-------------------|
| MCL-G-12 | 2085609 | 61.1% | 1558.670 | 952.35 | 3700 | 2,158.64 | 1,319 |
| MCL-G-13 | 279902 | 8.2% | 1507.880 | 123.65 | 3400 | 1,719.81 | 141 |
| E-auction | 242354 | 7.1% | 1960.254 | 139.18 | 3400 | 3,400.00 | 241 |
| E-auction | 805571 | 23.6% | 1960.254 | 462.62 | 3400 | 3,400.00 | 802.40 |
| Total | 3413436 | 100.0% | | 1677.79 | | 10,678.46 | 2,504 |

NB: For imported coal UHV is considered equal to GCV as proposed by HEL.

| | |
|---|----------------|
| Total projected coal cost in Rs./Tonne | 1677.79 |
| Total projected transport cost in Rs./tonne | 954.00 |
| Total landed cost in Rs./tonne | 2631.79 |

| | |
|------------------------------------|--------------|
| Minimum Heat value as determined | 2504 Kcal/Kg |
| heat value claimed and admitted | 3023 Kcal/Kg |
| Coal price as claimed | 3280.00/MT |
| Coal price determined and admitted | 2631.79/MT |



**ANNEXURE – 3B
COMPUTATION OF TRANSPORTATION
CHARGES OF COAL FOR THE
YEAR 2017 – 2018**

| Source | Quantity in % of total quantity | Railway Distance slab | Rate of transportation charge together with loading/unloading | Proportionate rate of transportation admitted |
|----------------|------------------------------------|--------------------------|--|---|
| 1 | 2 | 3 | 4 | 5=2X4 |
| MCL | 69.30% | 501-600 | 954 | 661.12 |
| MCL(E-auction) | 30.70% | 501-600 | 954 | 292.88 |
| TOTAL | 100.00% | | | 954.00 |



ANNEXURE – 3C COMPUTATION OF FUEL COST FOR THE YEAR 2017 – 2018

| Sl. No. | Particular | Unit | Generating Stations |
|---------|--|------------|---------------------|
| | | | HEL |
| 1 | Generation | MU | 4383.00 |
| 2 | Rate of Anxiliary Consumption | % | 9.00 |
| 3 | Auxiliary consumption | MU | 394.47 |
| 4 | Ex-bus generation (4=1-3) | MU | 3988.53 |
| 5 | Station Heat rate | Kcal/KWh | 2345 |
| 6 | Total Heat required (6=1 x 5) | M.Kcal | 10278135.00 |
| 7 | Heat Value of Oil | Kcal/lit | 9456.00 |
| 8 | Specific Oil Consumption rate | MI/KWh | 1.00 |
| 9 | Oil Consumed (9=1 x 8) | KL | 4383 |
| 10 | Heat Generated from oil (7 x 9/1000) | M.Kcal | 41445.65 |
| 11 | Heat Generated from Coal (6 - 10) | M.Kcal | 10236689.35 |
| 12 | Heat Value of Coal | Kcal/Kg | 2,504 |
| 13 | Coal required [(11/12)x1000] | MT | 4088533.05 |
| 14 | Coal required at 0.80% Transit Loss | MT | 4121505.09 |
| 15 | Average Price of Oil | Rs./KL | 49809 |
| 16 | Average Price of coal | Rs./MT | 2631.79 |
| 17 | Cost of oil [(9 x 15)/100000] | Rs. In lac | 2183.13 |
| 18 | Cost of Coal [(14x16)/100000] | Rs. In lac | 108469.43 |
| 19 | Total Cost of Fuel (17 + 18) | Rs. In lac | 110652.56 |
| 20 | Fuel cost per unit(20=(19/4)*10 (Ex-bus) | Paise/KwH | 277.43 |



CHAPTER - 4 FIXED CHARGES

- 4.1 HEL has submitted the petition for revision of project cost on 22.07.2014. Thereafter on 22nd August 2014 HEL submitted MYT petition for 2014-15, 2015-16 and 2016-17. The Commission based on 95% of the revised project cost, determined the allowable capacity chares for 2014-15, 2015-16 and 2016-17 vide orders dated 29.01.2016 in case No. TP-64/14-15 read with order dated 20.01.2016 in case No.OA-121/11-12. It was stated in the said order dated 29.01.2016 that tariff for the year 2016-17 shall be applicable from 1st April 2016 and shall continue till further order of the Commission. The Commission admitted fixed cost of Rs.88586.00 lakh for the year 2016-17 based on 95% of the revised project submitted by HEL. Since project cost has not yet been finalized and as break-up of different fixed cost components are not available from the Tariff order for 2016-17, HEL proposed to allow Rs. 88586.00 lakh as the fixed cost for year 2017-18.
- 4.2 The Commission in consideration of the submissions of HEL admits Rs. 88586.00 Lakh as fixed cost for the year 2017-18.
- 4.3 Based on the analyses and findings recorded in the foregoing chapters we are now drawing the statement of Aggregate Revenue Requirements (ARR) for the generating station of HEL. The ARR of generating station is as follows:

| Generating station | Rupees in Lakh | | |
|--------------------|----------------|------------|-----------|
| | 2017 – 2018 | | |
| | Fuel Cost | Fixed Cost | Total |
| HEL | 110652.56 | 88586.00 | 199238.56 |



CHAPTER – 5 TARIFF ORDER

- 5.1 Based on the analyses and the decisions recorded in earlier chapters the Commission has determined the capacity charge and energy charge for 2017 – 2018 in respect of HEL as shown in chapter 4. The Commission now orders as shown in the following paragraphs.
- 5.2 The annual capacity charge recoverable by HEL shall be on the following basis:
- The annual capacity charge recoverable by HEL from CESC Limited shall be on monthly basis depending on actual availability during the month with reference to the target normative annual availability subject to the conditions as laid down in regulation 6.11.4 of the Tariff Regulations.
 - The annual capacity charge is recoverable at the target normative annual availability as provided in following table for 2017 – 2018.

| Generating Station | 2017 – 2018 | |
|----------------------------------|--------------------------------------|------------------------------------|
| | Target normative availability factor | Annual capacity charge in Rs. lakh |
| HEL generating station at Haldia | 85% | 88586.00 |

- 5.3 The energy charge recoverable in 2017 – 2018 against injection of energy under implemented schedule on injection shall be as follows:

| Generating Station | Energy Charge (Paisa/kWh) |
|-------------------------------------|---------------------------|
| | 2017 – 2018 |
| Generating station of HEL at Haldia | 277.43 |



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- 5.4 HEL shall raise the energy charge bill and capacity charge bill as per the energy accounting and availability declared by State Load Despatch Centre (in short 'SLDC') in its monthly energy accounting schedule.
- 5.5 The tariff for 2017 – 2018 shall be applicable from 1st April, 2017. Adjustments, if any, for over recovery / under recovery from CESC Limited for the period from 01.04.2017 to 30.11.2017 shall be made in the monthly bills in 8 equal instalments commencing from the billing month of December, 2017. This rate will continue till further order of the Commission.
- 5.6 There will be no separate Monthly Fuel Cost Adjustment (MFCA) for HEL on and from 01.04.2017 till November, 2017. The MFCA realized by HEL during the year 2017 – 2018 (upto November, 2017) will be adjusted in computation of any adjustments for over recovery / under recovery from the energy recipients as mentioned in paragraph 5.5 above. HEL shall, however, be entitled to realize MFCA for any subsequent period after November, 2017 as per provision of the Tariff Regulations.
- 5.7 CESC Limited may pay additional instalment on account of any arrear of HEL in any month and such payment will then be considered as payable in that month.
- 5.8 Availability of installed capacity for any of the units of generating station of HEL may be adjusted downward against enhanced performance of any of the other unit of generating station of HEL, which may register capacity availability over the target availability. In such event, recovery of capacity charge and energy charge and also the manner of adjustment of such charges shall be such as specified in regulation 2.8.6.7 of the Tariff Regulations.



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- 5.9 Regarding annual cost recovery for evacuation / transmission system, the tariff order being issued separately for HEL in respect of evacuation of power from the Haldia generating station of HEL to the delivery point at Subhasgram Substation of Power Grid Corporation of India Limited for the years 2017 – 2018 in case no. TP – 67 / 16 – 17 is to be followed.
- 5.10 Any matter, which has not been explicitly mentioned in this order, shall be guided by regulations 2.9.8 and 2.9.9 of the Tariff Regulations.
- 5.11 For merit order despatch, SLDC / ALDC shall consider the energy charge of the generating station of HEL as determined in this tariff order as per the following table prospectively. The merit order despatch as per the table below will be applicable from the date of issue of this order. However, the MFCA declared after this tariff order will be added to the energy charge for consideration of merit order despatch from the date of issue of the MFCA notification respectively.

| Generating Station | Energy Charge for Merit Order Despatch (Paise/kWh) |
|-------------------------------------|--|
| Generating station of HEL at Haldia | 277.43 |

- 5.12 HEL shall present to the Commission a gist of this order in accordance with regulation 2.9.6 of the Tariff Regulations within three working days from the date of receipt of this order for approval of the Commission and shall publish the approved gist in terms of aforesaid regulation within four working days from the date of receipt of the approval of the Commission.



CHAPTER – 6 DIRECTION

- 6.1 The Commission has given some direction in earlier tariff order dated 29.01.2016. HEL shall comply with those directions. HEL shall also comply with the following directions.
- 6.2 The Commission has decided that any delay in submission of tariff application by any generating company for any control period beyond the 4th control period or any year as applicable will result in not providing any increase in tariff for equal number of days and thus the under recovery due to such measure will not be allowed to be passed through any tariff mechanism or during truing up in Annual Performance Review (APR) or Fuel Cost Adjustment (FCA). Moreover, any delay in submission in APR or FCA application shall not be considered as ground for delay by the generating company for submission of tariff application.

Further, the generating company is required to note that any delay with or without the approval of the Commission in submission of either of the applications of APR or FCA of any year (Y) within the target date as specified in the Tariff Regulations of the following year may result into non-inclusion of the impact of APR and/or FCA order in the concerned tariff order of the year Y+2. In such case, the impact will be considered in any future year beyond (Y+2) year as applicable without any allowance for carrying cost, if otherwise applicable. Thus, in filing of application(s) / petition(s), the generating company is required to maintain the relevant time schedule(s) as specified in the Tariff Regulations.

It may further be noted that the arrear amount that is to be recovered in a single or number of installments as will be determined by the commission for any financial year due to issuance of delayed tariff order as consequence to delayed submission of tariff application the generating company will not be provided with any carrying cost.



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6.3 HEL shall note that as already MFCA has been introduced, the amount that may be claimed in FCA at the end of any year is not expected to be higher than the summated value of following factors:

- i) impact due to rounding off as per note (f) under the sub-paragraph (d) of paragraph (B) of Schedule-7B of the Tariff Regulations against the applicable MFCA for the months of February and March of that year;
- ii) impact due to non-recovery of any additional fuel cost of March of any year over and above what is recovered on the basis of MFCA as calculated from data of February due to the fact that MFCA calculated on the basis of data of March is become applicable for next financial year only,
- iii) impact due to application of disallowance of cost as per FCA formula at FCA determination stage.

Thus in such case if recoverable amount under FCA of any year is found to be higher than the above referred summated value then such excess amount will be dealt with as per direction already issued to other generating companies by the Commission vide its order in case no. SM-10/14-15 dated 18.07.2014 (copy of the order may be downloaded from the website of the Commission). In this context it is to be noted that such excess amount represents the amount that would have been collected through MFCA and thus “not raising of such bill” resulted into distorted merit order dispatch in the system. In fact by virtue of this type of practice there is high possibility of vitiating the environment of merit order dispatch in the whole supply chain in West Bengal power sector and thereby affecting the economic load dispatch in the systems. As a result ultimate sufferer will be the retail consumers of West Bengal. In view of the above discussions thus no carrying cost will be allowed by the Commission in case of creation of such excess amount as regulatory asset through FCA. Whenever such excess



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amount is released in number of installments then also it will not be entitled to any carrying cost. However, this direction shall not be construed as an approval of such delayed claim of excess fuel cost through FCA instead of MFCA and such matter will be dealt as per direction already issued by the Commission vide its order in case no. SM-10/14-15 dated 18.07.2014.

6.4 While declaring MFCA for any month HEL shall follow the following directions:

- i) Irrespective of change in MFCA in any month from the previous month, the detailed calculation sheet of MFCA prepared for the purpose of determination of MFCA for that month as per regulation no.5.8.9 of the Tariff regulations shall be submitted to the Commission within seven days of notification of the MFCA. If there be no change in MFCA for any month HEL shall intimate the same to the Commission by the last working day of the month. Such calculation sheet shall also specifically mention the received fuel bill which has not been considered or partly considered in the said MFCA in pursuance to note (g) under sub- paragraph (e) of paragraph B of Schedule – 7B of the Tariff Regulations. HEL shall ensure the uploading of such calculation sheet in their web-site for each month.
- ii) The Commission directs that HEL will publish the notification of change of MFCA in terms of 4th para of regulation 5.8.9 of Tariff Regulations in such daily newspapers which are widely circulated in West Bengal .Any deviation in this regard will be seriously viewed.

6.5 While submitting the Fuel Cost Adjustment (FCA) application for any year HEL shall give a list of fuel bill which has not been claimed under MFCA calculation along with the provisions of the Tariff Regulations under which such claim has not been done. A further reconciliation statement shall be given to establish that



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HEL has followed the direction of paragraph 6.3 and 6.4 above effectively. If that reconciliation statements are not enclosed the FCA petition will not be admitted.

6.6 In the notes of Financial statement of Annual Accounts of 2017 – 2018 and onward or through Auditor's Certificate, the following information is to be provided in a manner as described below:

- i) The penalty, fine and compensation under Electricity Act 2003, if any shall be shown separately.
- ii) Any fine, penalty or compensation in any other statute other than Electricity Act 2003 shall be mentioned separately along with the reference of the statute.

In case of non submission of the above documents the application of APR will not be admitted.

6.7 For the year 2017 – 2018 and onwards, alongwith the application for APR for any year HEL shall submit certificate from the statutory auditor of the annual accounts of the said year for the following parameters:

- i) Giving a list of expenditure that arises on account of penalty, fine and compensation due to non-compliance of any statute or statutory order along with the reasons for each such type of penalty, fine and compensation.
- ii) Copies of the audited accounts of all the funds related to different type of terminal benefit for the year for which APR is under consideration, in a complete shape and not by any selective pages.



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- iii) A statement showing monthly deposition in different terminal funds for the year for which APR is under consideration in persuasion to the direction given in paragraph 6.11 below.
- iv) A detailed breakup showing total expenditure and employee strength against each level of all categories of employees including the whole time directors of the board. If any director or employee discharges any function of other companies also, then the allocation of cost among the companies shall be shown separately and distinctly against each level.
- v) In pursuance to regulation 5.8.1(vi) of the Tariff Regulations the total demurrage hour of rakes and related demurrage charges paid against total number of rakes for each generating station for the year concerned under the APR / FCA application of every ensuing year.

In case of non submission of the above documents the application of APR will not be admitted.

- 6.8 In case of expenditure at a level higher than the admitted amount under any uncontrollable factor in this tariff order on account of fixed charges, while submitting APR application of any ensuing year, HEL has to justify in detail with supporting documents and evidence on the basis of which the Commission will take its decision during truing up exercise and it may be noted that without sufficient justification the excess expenditure shall not be admitted in the APR fully or partly. While truing up any uncontrollable factor on account of fixed charges, the actual business volume parameter, i.e. energy generated and actual inflation rate to which such uncontrollable item is sensitive will be considered in the same manner and principle as determined under the tariff order subject to the limitation as per the Tariff Regulations. However, where applicable as per this



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tariff order the ratio of expenses increase in % on any item and the sensitivity parameter increase will remain the same as that of this tariff order.

- 6.9 HEL shall approach CEA for conducting a study regarding the targeted mix of different coal grades under the present condition of coal supply scenario for providing an optimum solution so that the disadvantage of “least cost input principle” can be duly taken care of. On the basis of such report Commission will decide on this matter.
- 6.10 While submitting application for APR or FCA of 2017 – 2018 and onwards by HEL, if such applications show any net claim for that year against those applications, then in such case HEL shall suggest in specific terms the ensuing year(s) in which they intend to recover such claim and by what amount. They shall also show the consequential impact of such recovery in the expected average cost of supply in those ensuing years after considering the total revenue recoverable through the tariff. The total revenue recoverable through the tariff means the summated amount of the Net Aggregate Revenue Requirement plus all other amount on account of any release of regulatory asset, FCA and APR for any year which is being already decided by the Commission in earlier orders. They shall also mention the carrying cost if necessary where it is applicable in terms of the Tariff Regulations and different orders and direction in this respect.

This consequential impact on tariff shall also be provided in the gist of the APR application. In case of non submission of the above information the application of APR will not be admitted.

- 6.11 In order to ensure that in future actuarial valuation of terminal benefit fund can be kept in control in a better way by avoiding carrying cost of such liability in future following is to be adhered.



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- a) HEL shall ensure that henceforth the amount that is statutorily required to be deposited in a month in different funds on account of terminal benefit as a part of employee cost admitted in the tariff order is to be deposited in different terminal benefit funds every month as a first charge item.
- b) On the head of terminal benefit fund, if there is shortage in the deposit amount in the terminal benefit fund admitted in employee cost through this order, the balance amount of contribution to terminal benefit fund is required to be deposited as first charge item over and above what had already been deposited for the year 2014-15 and subsequent years, from the effective date of recovery of the recoverable amount against this order from the very first day. So, it is directed that the balance amount of contribution as discussed above to terminal benefit fund for the year 2014-15 and subsequent years, i.e., the difference between the amount of contribution to terminal benefit funds as allowed in this order as a part of employee cost and that has already been deposited and that to be deposited in the fund for the year 2014-15 and subsequent years, is to be deposited in the respective different terminal benefit funds. Such balance amount is to be deposited in different terminal benefit funds in 12 monthly equal installments from the date on which the recovery through tariff against this order will start.
- c) While submitting application for APR of 2017 – 2018, HEL shall show through audited accounts of different terminal benefit funds that the contribution to the different terminal benefit funds during the concerned year as a part of employee cost is deposited in the terminal benefit funds.

In case of non-deposition of amount admitted for terminal benefit fund as provided in (a) to (c) above in the respective fund as directed above, Commission may withhold or deduct same amount equivalent to that non-deposition amount.



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- 6.12 The claim of HEL on account of demurrage is nil for the year 2017 – 2018 under the fifth control period. In case of any claim by HEL on demurrage in their FCA/APR application for 2017 - 2018, that shall be dealt with as per directions given under sl. No. 6.16 below.

HEL shall submit the total demurrage hour and related demurrage charges paid against total number of rakes for 2017 – 2018 with a reconciliation statement compatible with the total demurrage charges as shown in the Annual Accounts or FPPCA/FCA or APR. On the basis of such information Commission will fix the operating norms in future on demurrage charges in pursuance to regulation 5.8.1(vi) of the Tariff Regulations.

- 6.13 HEL shall provide the details regarding insurance expenses as per provisions of the Tariff Regulations in the APR application for the respective years.

- 6.14 All the distribution licensees and generating companies shall follow regulation 5.6.5.1 of the Tariff Regulations in its true spirit. According to regulation 5.6.5.1 of the Tariff Regulations the interest on working capital requirement of a generating company or a licensee shall be assessed on normative basis @ 18% on a base amount derived by summation of annual fixed charges, fuel cost and power purchase cost reduced by certain elements of the ARR. It has also been mentioned there that where Monthly Fuel Cost Adjustment (MFCA) or Monthly Variable Cost Adjustment (MVCA) exists, in that case for interest on working capital requirement the above normative basis shall be 10% instead of 18% on the said base amount. In this context it may be noted by all stakeholders that any distribution licensee or generating company on which collection of MFCA and MVCA, as the case may be, is applicable as per Tariff Regulations, shall not be entitled to claim interest on the above referred normative basis of 18% even on the plea of not claiming MFCA or MVCA throughout any financial year.



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- 6.15 HEL is directed to try to utilize its own resources including balance in its banks for meeting its fresh capital expenditures instead of resorting to more and more borrowings. HEL is further directed to try its very best to improve its operational efficiency on all fronts. An action taken report on this shall be submitted in the APR application for 2016 – 2017.
- 6.16 The Commission has admitted the expenses as projected by HEL under some heads which are uncontrollable as per Tariff Regulations. In any year, if actual expenses under any of those heads exceed the amount admitted by the Commission and HEL claiming the same in their APR for that year, such claim shall not be considered by the Commission for admission unless HEL furnishes proper and justifiable reasons in support of their claim. But in no case any carrying cost against such claim shall be allowed to HEL.
- 6.17 As already directed in the tariff order dated 29.01.2016, every day by 11.30 a.m. HEL shall upload its initial injection schedule of Actual Declared Capacity as well as that of Notional Declared Capacity in accordance with the prevailing State Grid Code framed by WBERC for the next day in their website. This schedule shall be kept in the website till the next two months after the date of the order of the APR or FPPCA whichever is later in relation to the year concerned to the day under discussion. The website design shall be such that the schedule of any date can be easily fetched. This direction has been issued for the sake of transparency and to protect the interest of all the stakeholders at large.
- 6.18 All the reports called for in this chapter are in addition to what are statutorily required to be submitted, either in terms of the Act, any of the Regulations made thereunder, or both, for the purpose of submission in the Annual Performance Review of 2017 – 2018.



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6.19 HEL shall comply with all the provision of Electricity Act 2003 and rules and regulations made thereafter.

Sd/-
(DURGADAS GOSWAMI)
MEMBER

Sd/-
(AMITAVA BISWAS)
MEMBER

Sd/-
(R. N. SEN)
CHAIRPERSON

DATE: 27.11.2017