

CESC TARIFF ORDER DATED 31/03/2005

ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN

Case No. T.P. - 22/05 - 06

IN RE THE TARIFF PETITION OF CESC LIMITED FOR THE YEAR 2005-2006 UNDER SECTION 64(3)(a) READ WITH SECTION 62(1) AND SECTION 62(3) OF THE ELECTRICITY ACT, 2003.

CHAPTER - 1

INTRODUCTION

1.1 The west Bengal regulatory Commission (referred to as the Commission hereafter) was constituted by the State Govt. of West Bengal in 1999 in pursuance of the provisions of Section 17 of the Electricity Regulatory Commissions Act 1998. The latter, along with the Indian Electricity Act 1910 and the Electricity (supply) Act 1948 was repealed by dint of Section 185 of the Electricity Act 2003 which come into force with effect from 10.06.2003. The first proviso of Section 82 of the Electricity Act 2003 has ensured continuity of the Commission – along with that of all other State Electricity Commissions – by laying down that the State Electricity Regulatory Commission established by a State Govt. under Section of the Electricity Regulatory Commission Act 1998 (and a few other State enactments) and functioning as such immediately before the appointed date, shall be the State Commissions for the purpose of the Electricity ACT 2003.

1.2 The Commission has, therefore, all the powers and authority under the Electricity Act 2003 to determine the tariff, as laid down in the Act, and these powers and authority are in continuation of similar powers and authority that were enjoyed the Commission under Section 29 of the Electricity Regulatory Commissions 1998.

1.3 Calcutta Electric Supply Corporation Limited (referred to CESC Ltd hereafter) was constituted under the Company Act 1956 and a licensee under the Electricity (Supply) Act 1948 and the Indian Electricity Act 1910. CESC Ltd has been engaged in the business of generation, transmission and distribution of electricity in terms of the license. CESC Ltd is supplying electricity to consumers in its licensed area, which covers Kolkata and some adjoining areas. The present status of CESC Ltd is that of a deemed licensee in terms of the first proviso to Section 14 of the Electricity Act, 2003, which has come into force with effect from 10.06.03.

1.4 The Commission has already passed 5 (five) tariff orders in respect of CESC Ltd. These tariff orders have been challenged by various persons in different courts of law at different points of time. Of these, one Special Leave Position concerning certain issues, particularly the one having to do with cross subsidy under the Electricity Regulatory Commissions Act 1998 is still sub-judice in the Hon'ble SUPREME court, while a few other writ petitions challenging different matters dealt with by the conjoint Tariff Orders for 2002-03, 2003-04 and 2004-05 are subjudice in the Hon'ble High Court at Calcutta. However, there being no other order, the Commission proposes to dispose of the tariff petition filed by CESC Ltd for the year 2005-06, as per provisions of the Electricity Act 2003 and the relevant Regulations of the Commission under the Act.

1.5 CESC Ltd has submitted the instant petition on 27th December 2004 seeking revision of the existing tariffs that would be applicable for the year 2005-06. After a preliminary examination of the petition, the Commissioner admitted the same. The petition was numbered as TP22/05-06 and

CESC Ltd was advised to print and publish a gist of the said petition, as approved by the Commission, in 4 (four) leading dailies simultaneously. It was indicated to the tariff petitioner that 2 (two) of such dailies should be English (either the Statesman or the Telegraph) while the other 2 (two) should be in Bengali (either Ananda Bazaar Patrika or Bartaman). The gist was printed and published in Ananda Bazar Patrika, Bartaman. The Statesman and the Telegraph on 03.01.2005 simultaneously. While furnishing some of the salient features of the tariff petition, the publication invited all the interested parties to submit their objections/comments etc against/on the tariff proposal within 30 days from the date of publication of the gist. Opportunities were also offered to all concerned to inspect the tariff petition under/or take copies of the same from the office of the Commission, in terms of the West Bengal Electricity Regulatory Commission (Conduct of business) Regulations 2003.

1.6 In response to the publication of the gist, 17 objections/comments etc. were received from the stakeholders and interested parties, within the stipulated period of 30 days, the names etc of the objectors/commentators have been given in Chapter-3 and their objections/comments have been discussed in short.

1.7 On the issue of the modalities of dealing with the instant tariff petition with specific reference to hearing, it is to be noted that while issuing tariff orders under Section 64(3)(a) of the Electricity Act, 2003 read with other relevant Sections ibid in 2004 – 2005, the Commission did not give any hearing to either the licensees / generating companies, or to the members of the public, or to the objectors. This was challenged before the Hon'ble High Court at Calcutta. By an order and judgement dated 4th October 2004 in W.P. No. 16166 (W) of 2004 (Rohit Ferro Tech. Pvt. Ltd. & Ors. – vs – West Bengal Electricity Regulatory Commission & Ors.), Hon'ble Justice Mr. P. C. Ghosh held that no hearing was to be given while determining tariff under the Electricity Act, 2003. Subsequently, this order and judgement have been affirmed by the Division Bench of the Hon'ble High Court at Calcutta, comprising of Hon'ble Justice Mr. Alope Chakrabarti and Hon'ble Justice Mr. S. P. Talukdar in an order dated 25th February 2005 in appeal case no. AST 2295 of 2004 (Rohit Ferro Tech. Pvt. Ltd. & Ors. –vs- West Bengal Electricity Regulatory Commission & Ors.). Therefore, in accordance with the provisions of law and in compliance with the above spoken orders of the Hon'ble High Court at Calcutta, no oral hearing has been given by the Commission to the tariff petitioner, or anyone else while issuing this instant tariff order for CESC Limited for the year 2005 – 2006.

CHAPTER - 2

THE CASE OF CESC LIMITED - 2005 - 2006

2.1 In its tariff petition, CESC Ltd has stated that inspite of significant increase in the price of coal from June, 2004, similar increases in freight cost and high inflation, it has prayed for an average tariff of 414 paise/unit in 2005-06 compared to 421 paise/unit prayed for in 2004-05.

2.2 The petitioners have identified the distribution segment as the highest risk segment within the sector, and have gone on to opine that it is of vital importance to safeguard the sustainability of the operation of distribution licensees in the interest of their consumers in general and the smaller segments in particular.

2.3 CESC Ltd has submitted that the company does not receive any external subsidy from any agency.

2.4 It has furnished certain charts to show that its Plant Load Factor is continuously improving, generation level is increasing, power purchase is decreasing, T&D losses are declining and the number of employees is also getting reduced from 1999-2000 onward.

2.5 In the area of generation, CESC Ltd has been continuously striving for improving plant availability, capacity utilization, operating efficiency and discharging of its environmental responsibility. It has held that while availability of its own plant is largely a controllable parameter, factors like pattern of load, availability of the required quality of fuel, ash removal and economic dispatch schedule considering peaking/radial load are external to its generating stations.

2.6 It has been claimed by CESC Ltd that its plant availability is one of the best in the country and has requested the Commission to have a suitable scheme for incentivising high PAF.

2.7 The company has also submitted an outline of an incentive scheme based on PLF of the generating stations, in terms of which the benefits of such a scheme can be shared between the consumers and the licensee, for, in the opinion of the company, the improvement in PLF of economic generating stations serves the interests of the consumers also.

2.8 The company has claimed that the company is alive to its environmental responsibilities and all its generating stations comply with the governing environmental standards. It has mentioned the awards it has recently won for environment excellence and has described in short, its activities on this front.

2.9 The Tariff Petitioner has dealt with the issue of T&D loss in details. It has been claimed that while the actual level of all India T&D loss is about 40%-50%, its overall T&D loss ranges between 17% - 18% and it has further projected that its T&D loss in 2005-06 is expected to be 16.9%.

2.10 The company has described how its loss control and anti pilferage drive involving meter checking, surprise inspections, removal of hooking, vigilance, filing of FIRs, following up the cases in legal front etc. are resisted and even the concerned personnel of the company face physical violation basically due to a permissive social culture. It has also pointed out that its efforts to improve the situation are hampered by the absence of some of the deterrent provisions in the new Act that were there in the West Bengal State Amendment to the Indian Electricity Act 1910, by the continuation of the loss-prone D.C. supply as also by the steadily increasing low voltage sales at the cost of the high voltage ones. The company has reiterated that it has taken all possible steps in controlling its T&D losses and there is no management inaction involved.

2.11 The company has submitted that its dispatch schedule is planned to maximize its own generation to the extent feasible and cost effective and only the balance amount is purchased from external agencies including the WBSEB. It has also submitted that the mix of various sources of power is selected in such a way that the mix works out to be the most economic one subject to operational constraints, exigencies etc.

2.12 The company has already commenced export of power though its efforts on this front are hindered by congestions of transmission lines.

2.13 The company has reported that its entire revenue derived from exports have been included in its "other income", but has prayed simultaneously that part of such export revenues should be allowed to be retained by the company.

2.14 It is the submission of the petitioner that it is now very difficult to predict future sales considering the uncertainties caused by certain radial changes in the law brought about by the Electricity Act 2003. However, the company has still made certain sales forecasts and also explained the methodologies followed by it in making such forecasts. According to these forecasts while the aggregate LT sales reflects an overall positive growth rate, the aggregate HT sales shows a decline because of a significant decline in HT industrial sales.

2.15 The company has described how its consumer services have improved over time. It has stated that it now has a three tier consumer grievance handling system, and emergency breakdown service that works round the clock, a computerized application processing system for tracking and monitoring individual applications towards periodic improvements and prompt address of queries, timely delivery of bills through courier services, some new bill payment facilities, HT consumer surveys besides addressing the overall quality issues.

2.16 CESC Ltd has also raised certain issues related to open access and prayed that surcharges under open access should be determined in such a manner that the tariff of small consumers is not adversely affected, that banking of power, which in its opinion, has not been envisaged in the Act, is not permitted, and that no obligation should be cast on the licensees for supplying back up power who exit their systems.

2.17 The petitioner company has pleaded for laying down a set of performance based regulations containing norms and the related penalties/incentives consistent with the principles of equally and natural justice and has gone to suggest that such regulations should not differentiate between public sector and private sector utilities for the purpose of norm fixation.

2.18 It has suggested that there should be prospective target fixing delineated for reaching the norms set over a period of 5 years based on aggregate performance of a group of utilities operating in the same macro environment in the State. It has also submitted that whenever norms are so fixed, these should be applied irrespective of actual.

2.19 In the matter of return, the submission of CESC Ltd is that for a distribution company, the rate of return should be 16% on equity because of incremental risks in the distribution business, and that CESC Ltd should be given a return accordingly.

2.20 On the front of fuel cost, the petitioner company has stated that despite very high price increase of coal in June 2004 and also a steep rise in railway freight, the average fuel cost per unit sent out has been calculated at 125 paise/unit. It has prayed that fuel consumption be permitted based on transparent, uniform, equitable, realistic and unbiased norms.

2.21 It has been pointed out that ash handling poses a problem because of very high ash content of Indian coal and it has been suggested that tackling the problem would need a judicious mix of coal used and a comprehensive approach towards ash management.

2.22 The company has claimed as bad debt an amount, which is less than 1% of the company's annual turnover and has suggested that the commission might fix a normative level of bad debt at 1% of the licensee's turnover.

2.23 CESC Ltd has given a status report indicating action taken on the advice given by the Commission in the last Tariff Order.

2.24 It has also given a report on some of the outstanding issues.

2.25 The points to which the advice of the Commission has been sought by CESC Ltd includes a prayer for consideration of an amount of Rs.36.82 crores towards short recovery of fuel cost pertaining to the earlier periods. It has been stated that the State Govt. admitted the same and as such qualifies for inclusion in the net revenue requirement of the Co.

2.26 Attention of the Commission has also been drawn to the requirement of a sum of Rs.26.50 crores towards the VSS in order to enable CESC Ltd. to complete its contractual application to the separated employees, the dues are to be finally settled in April, 2005.

2.27 It has also been stated that out of the short fall in Gratuity amounting to Rs.46.35 crores a sum of Rs. 27.40 crores were earlier. The balance amount of Rs. 18.95 crores is required to be settled in the year 2005 – 2006.

2.28 While reporting on outstanding, CESC Ltd has informed that it has reduced the interest cost significantly in the past few years.

2.29 CESC Ltd has made an appeal that the special appropriation on account of Budge Budge Project cost differentials, which had earlier been allowed, was to be recovered over a period of 4 years and the annual impact there of works out to Rs.0.4 paise per unit sold.

2.30 The company has also asked for appropriation for contingency reserve to take care of future needs and has committed to continue its efforts for both demand management and similar other factors.

2.31 In conclusion, CESC Ltd has prayed for confirmation of revenue requirement amounting to Rs.240123 lakhs in 2005-06, granting tariff increase commensurate with its projected revenue requirement, allowing additional amounts to the company for any increase in power purchase cost from WBSEB beyond what has been considered in the instant tariff petition, allowing the company to adjust any fuel and power purchase cost variation in future through a suitable fuel and power

purchase cost adjustment clause, allowing the company to approach the Commission as and when there is an increase in the price of fuel / power by more than 5%, allowing levy and realisation of an appropriate surcharge on DC consumption and giving an ad-interim direction for continuance of the presently approved tariff on and from 1st April 2005 until determination of the final tariff for 2005 – 2006 subject to appropriate adjustment thereon.

CHAPTER - 3

OBJECTIONS

Objections to and comments on the Tariff Petition of CESC Limited for the year 2005-2006

3.0 The gist of the tariff petition of CESC Ltd for the year 2005-06 was published in different newspapers on 03.01.05, inviting objections/comments etc. from all stakeholders within 30 days from the latter date. 17(seventeen) objections/comments etc. were received by the Commission within due date. The objections etc. received from one Shri Mrinal Kanti Mitra were accompanied by 903 signatories who had the same objections. Therefore, the objections received from Shri Mrinal Kanti Mitra and 903 others have been taken to be one set of objections.

3.1 The very first of the objections/comments that we received came from the Principal Secretary to the State Govt. of West Bengal in the Department of Power. These objections/comments referred to an apparent mismatch in the tariff order for CESC Limited for 2004 – 2005 and went on to point out that the amount CESC Limited had been allowed to mobilize for purchase of a certain amount of power from WBSEB was not matched by the amount which WBSEB was to receive from sale of power to Limited as indicated in the tariff petition in respect of WBSEB for 2005 - 2006. Thus, CESC Ltd had apparently been realizing excess revenue from the consumers on this account. The State Govt. requested for this specific issue to be taken in to consideration, while determining the revenue requirement of CESC Ltd. for the year 2005-06.

3.2 The next set of objections has come from the Calcutta Tramways Company (1978) Ltd. In the first place, the objectors have wanted adjustments of the arrears arising out of the minimum charges at Rs.1000/- per month per kW of sanctioned load with subsequent determination of the shortfall to make up the minimum charges.

3.2.1 The Tramways Company has also objected to the imposition of a load factor penalty, as the CTC's traction load is a fluctuating one.

3.2.2 It has also objected to placing of tramways in the same category of city network as that of Metro Rail.

3.2.3 The Tramways Company has also objected to introduction of a Maximum Demand / Agreemental Demand (kw) against energy consumption. The same was not applicable before July 2004, to CTC. It wants that the arrears, if any, on this court should be adjusted.

3.2.4 It has also pointed out the difficulties in collection of arrear dues caused by increase in the applicable tariff rate with retrospective effect, and have suggested that the idea of incorporating such arrears in the revenue requirement should be dropped.

3.2.5 The Calcutta Tramways Company (1978) Ltd. is also of the view that the licensee should move the State Govt. for collection of arrears, and in matters concerning Electricity Duty etc.

3.2.6 The objector is also not in favour of payment of security deposit for any change in KW demand.

3.3 The next group of objectors is Priya Cinema, Globe Theatres Pvt. Ltd, Mitra Cinema and Jaya Cinema. As the objections voiced by them are the same and even the language in which they have expressed their objections is identical, the objections originating from these 4 objectors have been grouped together.

3.3.1 The first point made by them is that the cinema halls who have airconditioners experience a significant fall in demand during the winter months and particularly from December to February in a year. They have advised that during this period, their contractual load should be taken as 50% of their usual contractual load during rest of the year.

3.3.2 They have presented a set of calculations purporting to show that they currently pay in each month about Rs.3000/- for every 1 kW of load. The suggestion made by them in this behalf is that the energy consumption charges for them should be re-fixed based on a 20% load factor, instead of 30% load factor.

3.3.3 They also point out that currently these cinema halls pay at a rate which is higher than the average cost of supply, and suggest that energy charges applicable to them should be brought down to as close as possible to the average cost.

3.4 Eastern India Motion Pictures Association, in a separate set of written objections, has first voiced a set of identical objections as have been registered by M/s. Priya Cinema, Globe Theatres Pvt. Ltd, Mitra Cinema and Jaya Cinema regarding air-conditioned cinema halls. The Association has, in this connection, suggested that all Cinema halls should be divided in two categories. I.e. air-conditioned halls and non-air-conditioned ones. For air-conditioned halls only, the association has suggested a reduction in the contractual load to 50% of the normal load, during the winter months, and for all cinema halls, the Association has suggested reduction of monthly load factor to 20% and for keeping of the applicable tariff to the closest possible point to the average cost of supply.

3.4.1 The association thereafter has pleaded for validation of the status of cinema business as industrial units for the purpose of electricity tariff and has enclosed (a) a copy of Gazette no. 580-C1/H of the Govt. of West Bengal, Commerce & Industries Department, dt.22.06.1999, (b) a copy of the Gazette of India Extraordinary, Part - II Section 3 Sub-section (ii) issued by the Govt. of India, Ministry of Finance, Department of Economic Affairs, Banking Division dt.16.10.2000, and (c) a copy of Calcutta Gazette extraordinary of the Govt. of West Bengal, Commerce & Industries Department no. 91-C1/N/4F-54/2000 dt.13.12.2001.

3.5 All Bengal Electricity Consumers' Association (or ABECA in short) has first, objected to the Commission's decision of not holding a public hearing for the purpose of determination of tariff. According to the association, not holding such a hearing will be unjust and also against transparency.

3.5.1 In their opinion, the Commission should first verify the performance of CESC Ltd as to whether the latter has followed the Regulations of the Commission regarding consumer service and the methodology of tariff determination in accordance with the Act.

3.5.2 CESC Ltd, according to ABECA, should be asked to produce the actual of the expenditures of the previous year and then these should be verified with the approved items of expenditure. Only then, their tariff proposal for 2005-06 should be considered by the Commission.

3.5.3 ABECA suggests that no tariff enhancement proposal should be entertained if their performance standard is not in accordance with the Regulations and the Act, CESC's cost elements should, according to ABECA, be examined, and so should be each proposed item of investment by application of techno-economic benefit analysis.

3.5.4 ABECA has pointed out that though the average cost of supply of CESC Ltd is going down, the tariff of the LT consumers are going on increasing continuously. According to ABECA this is contradictory and goes against the interest of the consumers.

3.5.5 The objectors have not found any basis to the concern expressed by CESC Ltd regarding regulatory risk. The objectors feel that such risks are part of life of the present day and opine that CESC Limited should leave the sector to make room for others if they find the risk to be too high. They have pointed out that the Electricity Act 2003 has, on the other hand, guaranteed the investors with an assured return. They have also felt that a return of 16%, which the Commission allowed to CESC Limited in 2004-05, was too much on the high side. They also feel that CESC Limited serves a comparatively small group of customers located in a compact urban area and

therefore is much better placed than many other utilities. ABECA has, therefore, opposed the proposal of CESC Ltd for a hike of 2.8% in its tariff for 2005-06.

3.5.6 ABECA has questioned the picture drawn by CESC Ltd, through a number of graphs, about increases in PLF, higher own generation and decline in power purchase between the years 1999-2000 and 2003-04 with reference to the differences between what had been projected in those years and what had been accepted by the Commission in its earlier tariff orders. The Association has also opposed the licensee's proposal for sharing of benefits arising from improvements in PLF. The Association has quoted a table from the tariff petition showing the actual, estimated and projected PLF in the CESC Ltd's generating stations, and has concluded therefrom that all the stations were operating below 86% PLF in 2003-04. In ABECA's opinion 86% PLF should be the norm and a penalty is to be charged from the licensee for every 1% fall of PLF below 86% and the proceeds therefrom are to be used for effecting reduction in tariff. ABECA has also suggested that neither the estimated figure, nor the projected figure of PLF for 2004-05 and 2005-06 should be accepted and that only actual figures after verification should be accepted.

3.5.7 ABECA has cited the judgement of the Hon'ble Supreme Court dt.03.10.02 and has asserted that the T&D Loss in 2005-06 should be 14% if the trend of reduction of 1% per year is taken into account. The association has pointed out that the T&D Loss accepted in the past tariff orders have been higher, as was found later, than the actual. According to ABECA, dependence on projection alone should be stopped. They have cited that the Govt. of West Bengal had allowed a T&D Loss of only 14% in 1993, the CEA had fixed the norm at 15% in 1991 and also that BSES in Mumbai has a T&D loss of only 10% ABECA has opposed the T&D Loss figure projected by the licensee for 2005-06.

3.5.8 On the point of employees cost, ABECA has pointed out, what according to them, are discrepancies between the projected number of employees as shown by CESC Ltd in different tariff proposals and the actual numbers, and has again opposed the tendency to depend upon the projections made by CESC Ltd.

3.5.9 The association has differed from the scheme of incentivising higher PLF suggested by CESC Ltd and has suggested that 86% PLF should be the norm and for a drop of every 1% from the norm, they should be made to pay a penalty.

3.5.10 According to the objectors, the projections of power purchase given by CESC Ltd are all incorrect and unrealistic, and the average cost of supply and tariff for 2005-06 should not be increased on the basis of their projection of power purchase for 2005-06.

3.5.11 In the opinion of ABECA, the proposal of CESC Ltd to incentivize PAF above 90% has not legal validity and the proposal has no approval of CERC.

3.5.12 The Association does not agree with the proposal of increasing the tariff on the basis of the factors of 7% inflation and 16% rise in the price of coal. These calculations, according to them, should be done only on the basis of actual.

3.5.13 In the opinion of ABECA, the proposals of CESC Ltd for special appropriation fund and contingency reserve fund should be rejected, as the Electricity Act 2003 has no room for such proposals.

3.5.14 Objections have been made against the Company's claim for further VSS fund of Rs. 26.5 crores and provisions to meet a shortfall of s.18.96 crores in the Gratuity Fund . The objectors have opined that funds to meet the PF obligations, gratuity etc. should be met from the Company's profit.

3.5.15 In response to the charge that a certain consumers' association has been crying hoarse to penalize CESC Ltd for its T&D loss and has been distributing leaflets encouraging resistance to CESC's loss control activities the association has sought to rebut all charges against it. The association's view is that all cases of theft are to be tried by the competent court only. By disconnecting the supply even before theft is proved, CESC Ltd is taking law in its own hand. The association opposes the same.

3.5.16 ABECA has also voiced its serious reservation about the claim concerning the enhanced fuel cost. It is of the opinion that cost calculations and requirement of fuel as calculated by the tariff petitioner are not reasonable and do not conform to CERC norms.

3.5.17 The Association has also objected to the Company's proposal in respect of D.C. meters.

3.5.18 ABECA does not think that the tariff petitioner sends its bills to the consumers in time, does not accept the claim of CESC Ltd. towards norms for an adequate coal stock, and also does not accept the company's claim of cost of intangible assets.

3.5.19 ABECA also opposes the proposed total addition to fixed assets in 2005-06, for the proposal is not backed by any cost benefit analysis, i.e. one can not understand whether cost of production will decrease due to the proposed investments, due to absence of the cost benefit analysis.

3.5.20 The Association further opposes the CESC's depreciation claims, FERV claims, claims for increasing R&M costs, the company's claim for bad debt of 1% of the turnover of 2005-06, the company's claim of Rs.36.82 crores towards shortfall in fuel cost in previous years, the claim of additional 4 paise per unit on account of Budge Budge Project costs, any claim of additional amounts for any increase in cost of purchase of power from WBSEB, claims for gratuity fund, claims for contingency reserve fund, the proposal for levy of a surcharge on D.C. meters, any proposal for enhancement of minimum charges, and any interim order sought by CESC Ltd from the Commission,

3.5.21 The Association has opined that tariff for small LT consumers should not be enhanced in the name of abolition of cross subsidy and further that the income tax slab system should not be changed for any other system of fixing consumer tariff.

3.6 Ganatantrik Nagarik Samity, Howrah, has suggested, in the first place, setting up of a generating plant by CESC Ltd on the west bank of the Ganga so that the consumers on the west bank are benefited through reduced T&D loss.

3.6.1 The Samity has opined that CESC Ltd should be allowed a return of 14% on the funds employed by the latter, as 14% return should be adequate for future investments

3.6.2 While appreciating the good effects of the Commission's earlier directive to CESC Ltd for improvement in its PLF, the Samity opined that the Company should continue to be encouraged to maintain a high level of PLF, it advised for giving incentives for additional generation from the CESC Ltd's pulverized fuel fired stations.

3.6.3 The Samity also appreciated the need to give special allocation for covering unexpected emergencies but suggested simultaneously that such an allowance should not exceed ½% of the Company's assets.

3.6.4 The Samity opposed CESC Ltd.'s proposal for increase in the tariff by 2.8% over the prevailing tariff rate and suggested that a higher tariff if at all necessitated by genuine reasons, should be offset by higher efficiency.

3.6.5 In the opinion of the objectors, those large consumers who would leave CESC system should be asked to pay both cross subsidy surcharge and additional surcharge, so that the small consumers do not suffer.

3.6.6 The Samity observed that large consumers moving in for captive generation often use highly polluting fuels. In order to protect common people against the resultant environmental hazards. The Samity has strongly recommended adoption of appropriate policies that are environmentally benign. The Samity also went on to sound a note of caution about CESC Ltd.'s policies and actions in some cases going against environmental benignness.

3.6.7 The objectors suggested that a further lightening on the front of T&D loss was necessary and same should be fixed at 16.5% for 2005-06

3.6.8 The Samity stated that it would be imperative to ensure that the small consumers are not harassed on the wrong allegation of theft of power followed by disconnection of supply.

3.6.9 In the opinion of the Samity, there is no logic in the claim that all DC meters suffer from under-registration and has expressed its opinion against enhancement of surcharge on this score.

3.6.10 The Samity appreciated the Commission's earlier directive to CESC Ltd to stop purchase of power from the relatively costly sources and also to stop generation of power from uneconomical units like Mulajore. The Samity opined that CESC Ltd should be directed to make purchase directly from WBPDCCL and that the Company should explore the possibilities to export power outside its operational area during low demand periods.

3.6.10 In the opinion of the Samity, the rate at which CESC Ltd may purchase power from WBSEB should not exceed the average rate at which power is sold by WBPDCCL to WBSEB plus 20 paise/kwh towards transmission charges.

3.6.12 The objectors have objected to CESC LTD's claim as mentioned in the latter's prayer 18(d) of increase in the price of fuel by 5%.

3.6.13 Quoting extensively from the tariff petition, CESC Ltd.'s statements on norm fixation and benchmarking philosophy, the Samity observed that there should be a parity in principles adopted for tariff fixation for all agencies engaged in the same operation.

3.6.14 The Samity commented that CESC Ltd should compare its performance with the best achievers in the country, and not with those at the bottom of the ladder.

3.6.15 The Samity has opposed the idea of allowing any lumpsum on ad-hoc basis to take care of bad debts and has suggested a norm of 0.8% on turnover to be fixed for this purpose.

3.6.16 Finally, the Samity has submitted that CESC Ltd should be directed to make all out efforts to reduce the interest and financial charges.

3.7 The Indian Jute Mills Association has referred to various provisions of law including the provisions of Sec 61, 62, 64, 65 and 66 of the Electricity Act 2003 as also to the relevant provisions of the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulation 2003 and the West Bengal Electricity Regulatory Commission (Tariff) Regulation 2003 in order to establish the background of the tariff petition in question from a legal viewpoint.

3.7.1 The Association has stated that the present tariff petition has been filed by CESC Ltd not as a generating Company only but only as a licensee and this is not provided for in the Act. Thereafter, the Association admits that the tariff Regulations do provide an answer, but suggest simultaneously that reconciliation between the provisions of the Act and those of the concerned Regulations will be necessary.

3.7.2 The Association claims that the concerned Section 61 and 62 of the Electricity Act, 2003 and the provisions of the concerned Regulations should be taken to mean that there is/should be no cross subsidy, because the Hon'ble Supreme Court has, while interpreting Section 29 of the Electricity Regulatory Commissions Act 1998 held that no cross subsidy is allowable under the latter Act.

3.7.3 The Association has stated that the instant tariff petition has been filed in violation of various Regulations for it has failed to disclose the details of the expenditures in a manner provided for in those Regulations, it has given only ad hoc projected figures on the basis of its un-audited balance sheet as on 31.03.2004 and its projected figures have differed drastically in the past from the figures as contained in the final accounts. The Association has further alleged that the data submitted by CESC Ltd are premature, are not authenticated by appropriate authorities, merely projected ones having no basis, and are not competent data for the relevant purpose as per law. Further the documents submitted have also not been affirmed properly. In the opinion of the objector, unless actual figures, and not projected ones, are given the tariff rate fixed on the basis of projected figures will be ad-hoc and will thereby violate the spirit of the provisions of the Act.

- 3.7.4 The Association suggests that increased PLF will not benefit the consumer alone. Efficient and increased production would entail additional revenues to the utility and therefore CESC Ltd.'s proposal for sharing the benefit of higher plant load factor should not be considered, as the same is not in consumer interest.
- 3.7.5 It has stated that if the year-ending financial figures for the years 2002-03, 2003-04 and 2004-05 are compared with the financial figures that can be arrived at on the basis of tariff allowed for those years, CESC Ltd.'s revenue requirement for the current years would stand reduced substantially.
- 3.7.6 It has also been suggested that CESC Ltd.'s claims as bad debt or unadjusted capital expenditures must be rejected as no details for those amounts has been given.
- 3.7.7 The Association has pointed out that while CESC Ltd has claimed a fixed percentage of loss on account of pilferage, the latter has not shown how it will refund part of the money taken from the consumers should the loss be reduced further.
- 3.7.8 It has been stated that the reasonableness of legal costs should be examined strictly by comparing these with the standards of legal costs incurred by the State and the Central Govt.
- 3.7.9 The Association has also pointed out that the tariff petitioner has not submitted copies of the audited accounts for the last 3 years, as required by the Conduct of Business Regulations.
- 3.7.10 The Association suggests that an independent audit firm should be engaged to look into the accounts of the company and certify them within a stipulated time.
- 3.7.11 In the opinion of the objector, no increase in the tariff of CESC Ltd should be allowed at this juncture because the tariff of WBSEB has not yet been determined and the tariff of CESC Ltd. depends to some extent on the tariff of WBSEB.
- 3.7.12 In the opinion of the Association, CESC Ltd has not achieved any management efficiency and therefore opposes the petitioner's prayer for the performance incentive of Rs.34.10 crores the latter has asked for.
- 3.7.13 Debating the contention of CESC Ltd that the loss of energy is more when power is to be transmitted at low voltage, the Association disputes the contention. In the opinion of the objectors, if what CESC Ltd has stated is true, then all around the world, tariff of LT consumers, particularly in those countries where there is no subsidy, would have far surpassed the tariff applicable to HT consumers. The Association asserts that this is not the case and goes on to argue that 16.9% T&D loss claimed by the tariff petitioner is excessive and that the same should not be anything but 14%.
- 3.7.14 The claim of the tariff petitioner to the effect that the Electricity Act of 2003 does not contain necessary provisions to tackle pilferage of power is rejected by the objector in Toto.
- 3.7.15 According to the Association, CESC Ltd has not followed the alleged advice of the Commission to purchase power from sources other than WBSEB. They have also failed to submit the details of power export and the revenue from the same.
- 3.7.16 In the opinion of the Association, cross subsidies should be neutralized and demand charges should be abolished so as to arrive at true rationalization of tariff.
- 3.7.17 The objector have opposed the proposal of imposing various surcharges when open access will be introduced for, in their opinion, such impositions are not supported by law.
- 3.7.18 They have also opposed the claims of CESC Ltd. for a reasonable return of 14%, and then again for a reasonable return at the rate of 16% because of the risks involved in the business. The Association thinks that the reasonable return applicable to CESC Ltd should be 13.25%.
- 3.7.19 The Association thinks that the fuel cost and the ash handling cost claimed by CESC Ltd are inflated and without any basis. Similarly, the costs for repairs and maintenance are also very high

and the reasons for the same have not been explained.

3.7.20 According to the Association the dues of the CESC Ltd, which have remained outstanding in the names of Kolkata Municipal Corporation and other public bodies, are due to latches and faults of CESC Ltd itself and the burden arising therefrom should not be passed on to the consumers.

3.7.21 The objectors have also stated that the alleged shortfall towards fuel cost is not relevant to the instant tariff determination and should not be a part of net revenue requirement, that the interest charges including lease rentals are very high, that the amount of depreciation asked for is exorbitant, that the instant tariff petition is based on misleading facts and that the alleged reduction in capital bases is contrary to standard accounting procedures.

3.7.22 Further, in the opinion of the Association, the increases in tariff that has been prayed for is premature and prohibitive and the increase is not justified either by a proportionate increase in capital assets or increase in quality of services. Besides the tariff petition has not taken into account any increase that might be granted to the tariff of WBSEB and therefore the entire claim based on WBSEB's tariff should be disallowed.

3.7.23 The Association has also claimed that the instant tariff petition is full of suppression of material facts and records on different counts, and therefore the petition should be rejected.

3.8 The Calcutta Chamber of Commerce has submitted a good number of objections and comments on the instant tariff petition of CESC Ltd. The contents of what has been submitted by the Chamber are the same as those submitted by the IJMA. Therefore these are not being repeated.

3.8.1 Bengal National Chamber of Commerce & Industry has suggested that CESC Ltd.'s prayer for 9.9% of auxiliary consumption in 2005-06 should not be allowed, for in its opinion, rise in auxiliary consumption on account of pollution control measures does not appear to be reasonable. In the opinion of the Chamber only 9% of auxiliary consumption should be allowed.

3.8.2 The Chamber has pointed out that the cost of generation at New Cossipore Generating Station is Rs.3.20 per unit, which is very high compared to average import price of Rs.2.71 per unit. In the opinion of the Chamber, generation from this Station should be stopped as early as possible though it may be necessary to continue to generate from New Cossipore for the present because of high demand forecast.

3.8.3 The Chamber has reiterated its suggestion that CESC Ltd should be asked to try to purchase cheaper hydropower from Central utilities to meet at least a part of its total import requirements.

3.8.4 In the opinion of the objectors, there is no improvement in CESC system for the system loss is continuing at 12% from 2000-01 onward. The objectors have suggested that CESC Ltd should establish larger number of 33/6 KV sub stations supported by 132 KV sub stations at the periphery of the city. If this is done, it should be possible to reduce the load and length of 6 KV feeders and thereby reduce system loss. Also system upgradation is required at many places.

3.8.5 The Chamber has suggested that CESC Ltd should take up a thorough study to reduce the present technical loss from 12% by at least 0.75% every year till it reaches a figure of 7% to 8%. For the present the Chamber suggests adopting an overall T&D loss figure of 14.9% for 2005-06.

3.8.6 It has been suggested that CESC Ltd should spell out its policy on captive coal mining.

3.8.7 The Chamber has opposed CESC Ltd.'s prayer for incentives amounting to Rs.3410 lakh because it has left out New Cossipore from its list of Stations that are performing well. New Cossipore's performance is included, the picture may not remain bright. Besides, the Chamber points out, there is no policy decision and bench marking in this respect as yet.

3.8.8 In the opinion of the Chamber, CESC Ltd.'s fear that industries will leave is not very realistic but it is possible that industries may switch over to other suppliers from CESC under open access arrangement because of high tariff and high duties, Captive plants may also proliferate due to these reasons. It has suggested phasing out of cross subsidies as early as possible and

abandoning the present discriminatory duty structure in the interest not only of HV consumers but in the interest of the growth of the economy as a whole.

3.8.9 The Chamber has appreciated CESC's efforts to reduce employees cost but has commented simultaneously that costs under administration and general charges should be curbed and interest charges should also be reduced by restructuring of loans.

3.8.10 The Chamber has suggested that average tariff should be lowered from its present level of Rs.4.01p per unit to Rs.3.98p per unit in 2005-06.

3.9 WBSEB has pointed out that T&D Loss at 17% allowed to CESC Ltd in the tariff order dt.24.05.2004 is only an overall T&D loss. If T&D loss is computed excluding exports, it will come to a higher figure of 17.14%.

3.9.1 WBSEB is of the opinion that the heat rate for Budge Budge, which has been shown as 2650 K Cal/kwh for 2005-06, should be considered at par with that admissible to the Central Sector generating stations in terms of CERC Notification dt.26.03.04

3.9.2 The per unit generation cost of New Cossipore Power Station of C.E S C Ltd, according to WBSEB, is higher than the power purchase rate from WBSEB. Therefore CESC Ltd should be asked to close down New Cossipore Power Station.

3.9.3 WBSEB has pointed out that CESC Ltd is drawing power from WBSEB as a peaking support only. WBSEB has to meet the peak demand of CESC Ltd by importing high cost peak power. Therefore, CESC Ltd should be directed to pay an additional charge of 30 paise/kwh if the latter does not maintain an off-peak drawal ratio of 30% against the peak drawal on monthly basis.

3.9.4 WBSEB does not think that there is any appreciable impact of voluntary separation scheme on employees' cost of CESC Ltd 2005-06, even though a lot of money has been allowed in tariff in the immediate past. It also thinks that the projected interest amount for 2005-06 is too high and so is the average rate of interest on capital loan. WBSEB has also objected to special appropriation as also to any performance incentive.

3.10 Bharat Chamber of Commerce has asked for direction to be given to CESC Ltd for increasing the PLF of its Budge Budge, Southern and Titagarh Stations so that drawal of costly power from elsewhere, particularly from WBSEB can be kept at the minimum. They should also be asked to make sincere efforts for reducing auxiliary consumption of these power stations from the existing level of 9.5%.

3.10.1 In the opinion of the Chamber, purchase of relatively costly power from different sources including WBSEB should be reduced particularly during off-peak periods.

3.10.2 On the front of T&D losses, according to the Chamber, the tariff petitioner has repeated the same old arrangements to defend its claim of higher T&D losses and advises the Commission to fix T&D loss for 2005-06 at 16%.

3.10.3 The Chamber is of the opinion that the tariff petitioner should project the sale figure to HT industrial consumers following the standard CAGR method.

3.10.4 The Chamber objects to the practice on the part of CESC Ltd to club together the estimated fuel consumption of its thermal power stations and calls for station wise actual performance parameters. It is also of the view that appropriate norms for G.C.V. of coal should be laid down and pending that, the price of coal actually paid to the coal companies should form the basis of grade of coal received.

3.10.5 An objection has been registered by the Chamber in respect of the item of employees' cost also. The Chamber does not approve of the assumption on the part of CESC Ltd of an increase of employees' cost by 5% over the last year's level. The Chamber is also of the view that there will be an over realization of Rs.548 lakh on account of salary and wages in the current year.

3.10.6 According to the Chamber, there should be no increase in expenditure under the head of administration and general expenses and further that there is no justification for CESC Ltd.'s prayer towards 1% of turnover as bad debts.

3.10.7 The Chamber is of the opinion that an increase of 10% over the projected figure for coal and ash handling in 2004-05 is unjustified and that the same should not be more than 5% over the latter.

3.10.8 The Chamber has opposed the prayer of CESC Ltd for being allowed to include a sum of Rs.580 lakh as legal charges in the latter's revenue requirement for 2005-06 and has suggested that there should be no increase in expenditure under this head.

3.10.9 As regards, repairs and maintenance including consumables, the suggestion of the Chamber is that a normative benchmark for this purpose may be fixed at 2.5% of the Opening Gross Fixed Assets taking 2003-04 as the base year and for allowing each year an escalation @ 5% per year.

3.10.10 In the opinion of the Chamber the working capital requirement projected by the tariff petition at Rs.62,029 lakh in 2005-06 is absurdly high and the same should be Rs.15,395 lakh only.

3.10.11 The interest cost projected in the tariff petition has been challenged by the objector on the ground that though he tariff petitioner can get temporary accommodation but the sama should be limited to approved unrealized arrears. However, the figures for the same have not been furnished.

3.10.12 On the front of depreciation, the Chamber is of the view that the petitioner's claim in this behalf should be suitably reduced in order to avoid any over-realization chargeable to revenue

3.10.13 In the opinion of the objector, the petitioner's claim for an advance against depreciation should be rejected outright.

3.10.14 The Chamber also feels that the petitioner's claim for Rs.1850 lakh for payment of MAT in 2004-05 should be rejected, as there is no provision for the same till it is actually paid.

3.10.15 The Chamber finds that the petitioner's computation of reasonable return is not as per Tariff Regulations. The Chamber has given an alternative set of computation according to which the reasonable return should come to Rs. 6813 lakh only in 2005-06.

3.10.16 On the question of performance incentive, the Chamber feels that if any incentive for higher generation is to be given, the standard for the same should not be fixed at PLF level less than 82%, and further that if PAF is to be taken into consideration, the proposed incentive should also be linked with disincentive for lower plant availability.

3.10.17 The Chamber is of the view that no special allocation to meet emergency expenses should be allowed till the petitioner furnishes the detailed accounts for the past allocation with justification for not investing the same as per directions. The Chamber also thinks that special appropriations of the earlier years, which had been recommended by the State Govt. of West Bengal, should not be taken cognizance of.

3.10.18 CESC Ltd, according to the objector, has projected a much lower figure under the item 'other income' than it should have. According to the Chamber the same should be Rs.7512 lakh in 2005-06.

3.10.19 The Chamber has also suggested benchmarking of the major operating parameters of thermal power stations in order to stop utilities from claiming inefficient costs against various items of expenditure in future.

3.11 Indian Aluminium Co. Ltd (i.e. INDALL in short) has, in its objections, to state that the tariff proposals of CESC Ltd have always projected a much higher expenditure than what would be

reasonable. In its opinion, when the actual or revised estimates are later available, this is proved. The objector seeks adjustment towards excess revenue already realized in previous years.

3.11.1 Objections have also been registered against inclusion of free reserves and shares issued other than for cash in the calculation of reasonable returns. The reasonable return and special appropriation for 2004-05 has also been objected to. It was also been stated that while CESC Ltd has asked for reasonable return on equity employed as on 31,03,05, the same should be calculated on average paid up equity capital for a particular year. Further, calculation of reasonable return at the rate of 14% on equity employed, as has been done by CESC Ltd is not correct. The same should be calculated only in the manner that has been laid down by the relevant Regulation of the Commission.

3.11.2 The objector has opposed the prayer of the tariff petitioner for performance incentive, as there is no provision for such incentive in any Regulation.

3.11.3 INDAL has also objected to the prayer of CESC Ltd for being allowed certain amount said to represent payment of MAT, in the tariff petitioner's revenue requirement for 2005-06.

3.11.4 INDAL has also expressed an opinion against the prayer of CESC Ltd in respect of T&D loss, which according to INDAL should be within the limit of 16% in 2005-06.

3.11.5 The objector has opined that the tariff for HT 33 KV consumers should be commensurate with a low T&D loss of the order of 4%.

3.11.6 INDAL has also expressed its reservation about high auxiliary consumption in the thermal power stations of the tariff petitioner and has suggested that the same should not be above 9% in 2005-06.

3.11.7 INDAL has observed that the projected increase in the employees' cost for 2005-06 has not been adequately explained and that in 2004-05 the tariff petitioner had originally claimed an employment cost that was higher by 5.5% than the actual and therefore, in the view of this, the projected employment cost for 2005-06 should be discounted by 5.5%.

3.11.8 The objector has suggested that targets should be fixed for station-wise operational efficiency parameters based on national/international benchmark for similar plants, and the tariff petitioner should be given time to achieve the benchmarked level of efficiency. Attainment of the standards should be rewarded, while non-attainment of the same should attract penalty.

3.11.9 The objector suggests verification of the legal expenses as these are increasing every year.

3.11.10 INDAL has suggested disallowing the entire amount shown as bad debt as, in its opinion, collection of security deposit from each consumer equivalent to these months' bill value should be sufficient safeguard any debt from going bad and bad debt is a charge against profit and not an expenditure incurred. It has also to say that citing CERC norm in this matter is not valid because those are not comparable with urban licensees like CESC.

3.11.11 In the opinion of INDAL, the expenditures on R&M including consumables should be much less than what have been projected. According to the objector, expenditure on this count in 2005-06 should get reduced because of various steps taken by CESC Ltd.

3.11.12 INDAL did not find any plan of CESC Ltd in the tariff petition for the idle assets of Mulajore Thermal Power Plant. It is of the opinion that these should be sold off.

3.11.13 INDAL has pleaded for laying down a system of performance-based incentives covering all areas, i.e. generation, transmission and distribution. The system should also include penalties of non-performance or performance below norms and the norms should refer to actual performance only.

3.11.14 The objector has also pleaded for input cost parity in this era of globalization and has expressed its reservations about subsidy.

3.11.15 INDAL has claimed that the tariff for a 33 KV consumer should be about 85% of the average tariff due to low T&D loss, but in West Bengal the tariff applicable to such a consumer has been of the order of over 100% of the average and the process to bring it to its cost of supply is very slow.

3.11.16 INDAL has suggested that night tariff should be considered at 60% of the normal tariff.

3.11.17 INDAL has further suggested that the rebate applicable to a 33KV consumer should be increased to give such a consumer the benefit of low T&D loss.

3.11.18 In the opinion of the objector, boosts should be given to promote open access and no licensee should be allowed to come in the way. INDAL has also pleaded that the surcharge, which the Act provides for, should not be prohibitive.

3.11.19 INDAL also suggests that banking of power should be allowed subject to the condition that any user would not be allowed to draw excess power during peak hours.

3.11.20 INDAL has also suggested that back up power should be allowed to an open access customer by the concerned distribution licensee.

3.11.21 INDAL has also pleaded for determination of wheeling and other charges applicable to transfer of power through CESC system and that such charges should be proportional to the distance covered.

3.12 West Bengal Rolling Mills Association has filed an application-cum-objection. Apart from objecting to CESC Ltd.'s tariff petition for 2005-06 and praying for its dismissal, the Association has filed a miscellaneous application dealing with the tariff order dt.24.05.2004 for 2002-03, 2003-04 and 2004-05. Since the Commission's Regulation do not permit filing of any application-cum-objection, the said application-cum-objection therefore, has been treated as a set of objections to the tariff petition of CESC Ltd for 2005-06.

3.12.1 Paragraphs 6 to 174 of the objections of the Association generally deal with tariff petitions and orders from 2000-01 to 2004-05 and the points taken by the Association in several Court cases. These do not pertain to the tariff petition for CESC Ltd for 2005-06 and therefore are not dealt with here.

3.12.2 There are also a number of comments on the present tariff structure and there also are a number of allegations of errors allegedly committed by the Commission while passing the tariff orders for 2002-03 to 2004-05. Since all these are subject matters of FMAT no. 2171 of 2004 and W.P.91 (W) of 2005, both currently under consideration by the Hon'ble High Court, Calcutta, these also are not being dealt with in the instant tariff order.

3.12.3 The Association is of the view that CESC Ltd.'s tariff petition is not maintainable. Neither are the annexures properly verified nor are there pleadings in the main part of the tariff petition in respect of these annexures. The Association has stated that the Commission cannot look into these annexures and therefore, the Association is of the opinion that the petition should be rejected outright.

3.12.4 The Association has stated that the instant tariff revision prayer is based on increases in coal price and has prayed that all records should be summoned and the Association should be allowed to examine those records.

3.12.5 The Association has opined that open access is necessary, as the monopoly of CESC Ltd. should not be allowed to continue.

3.12.6 According to the Association, the claim of CESC Ltd. towards non-receipt of subsidy is unsustainable because the company has defaulted in payment to WBSEB and payment of Electricity Duty to the State Govt. and these non-payments are actually subsidies.

3.12.7 It has been pointed out by the objector that as per order of the Hon'ble Supreme Court, T&D loss should be reduced by 1% every year and that in term of that order, the allowable T&D

loss for 2005-06 should be 14%.

3.12.8 The objector has also stated that it has in the past asked for installation of check meters and monitor meters for street lights and LT consumers and has reiterated that CESC Ltd should be directed to install check meters at all distribution points. In the opinion of the Association, no T&D loss should be allowed to CESC Ltd for 2005-06.

3.12.9 The objector has alleged that CESC Ltd has collected revenue in excess of its requirements for 2002-01 and 2001-02. It has also to state that CESC Ltd could have rejuvenated its power station at Mulajore and that the Company has not submitted the generation plan of its power stations, and further the annexures the company has submitted cannot be relied upon.

3.12.10 The Association has referred to Common Minimum National Action Plan, which has stipulated that the national average of PLF should be 72% by 2002.

3.12.11 According to the Association no incentive can be given under the Electricity Act of 2003.

3.12.12 The Association has drawn up a generation plan for 2005-06 according to which CESC Ltd. should generate 7200 MU.

3.12.13 The objector states that the claims of CESC Ltd in respect of PLF should be compared with PLF of other private generating stations to verify CESC'S claim of the best performance in the country and that expenses under each head should be checked against those of Kolaghat power station.

3.12.14 The Association has further stated that before any claim of incentive is accepted, the Commission should re-apply PLF at the same rate from April 2000.

3.12.15 In the opinion of the objector, the Commission should appoint a valuer to access the valuation of Mulajore Power Station and reduce the capital cost of CESC Ltd.'s plants and machinery. This, in the opinion of the Association, will bring down the overall revenue requirement. It also suggests that all expenses incurred in Mulajore, including employees' cost and expenses incurred in maintaining that station should be rejected.

3.12.16 The Association thinks that since CESC Ltd has not furnished details of quantum of power purchased from WBSEB, no power purchase cost should be allowed to the tariff petitioner on this count and the tariff petition itself should be dismissed.

3.12.17 The Association has opined that the Commission should ask the tariff petitioner to supply to the Association all details regarding the amounts recovered by the latter from its consumers towards meter replacement charges after disconnection of supply of electricity.

3.12.18 The objector has commented that the technical loss of CESC Ltd, which the latter claims to be of the order of 11%, would have been reduced by 3% to 4% if the company would have upgraded its lines from 6.6 KV to 11 KV.

3.12.19 The Association also holds the view that the sale of electricity would increase if tariff is reduced. In the opinion of the Association, off peak tariff rate should be 70% of peak tariff. It has simultaneously held that since the tariff petitioner has not given details of category-wise sales of the past period, the petition should be dismissed.

3.12.20 The objector finds that CESC Ltd has not disclosed its actual liability to WBSEB and suggests that CESC Ltd. should be directed to liquidate WBSEB's liability before determination of 2005-06 tariffs.

3.12.21 The Association complains that CESC Ltd has not refunded huge sums of money on account of security deposit in respect of disconnected/discontinued supplies. Where supplies are permanently discontinued, CESC Ltd should, in the view of the objector, refund capital cost to the consumers.

3.12.22 The Association has also stated that the tariff petitioner has not disclosed the names and addresses of parties causing bad debts. In the case of future recovery, all bad debts should be readjusted. It has also to state that CESC Ltd is collecting dues repeatedly against premises from new applicants.

3.12.23 The claim of CESC Ltd towards 1% of the turnover being accepted for bad debts by other Commissions has not been supported by documentary evidence, according to the Association. The Association therefore has pleaded that no bad debt should be allowed to CESC Ltd in 2005-06.

3.12.24 The Association has also expressed an opinion that before declaring any sum as bad debt, the Commission should hear the defaulting party to ascertain the correctness of the claims. It has also stated that where bad debt is once allowed by the Commission, CESC Ltd cannot refuse supply to a new applicant on the ground of non-payment of dues against such premises.

3.12.25 In the opinion of the Association, no legal charges should be allowed to the tariff petitioner since the latter's lawyers take countless adjournments in the courts.

3.12.26 The Association has also suggested that claims of CESC Ltd in respect of lease rental and repairs and maintenance are unsupported by data and therefore should not be allowed.

3.12.27 The objector has pointed out that CESC Ltd has claimed that Indian coal has very high ash content and that the latter has ash handling problems. The objector has suggested that CESC Ltd could easily import coal. The Association has also alleged that there is under-valuation of sale value of ash, which is being sold to a particular contractor instead of selling the same through open tender.

3.12.28 The Association has further stated that cross subsidy is being continued by going against the judgement of the Hon'ble Supreme Court.

3.12.29 In the opinion of the objector, CESC Ltd.'s tariff should be 250 paise/unit on an average.

3.13 Shri Mrinal Kanti Mitra has submitted a number of objections and comments. Along with him , there are some 903 objectors with objections and comments of identical nature. These are not being taken up separately to avoid repetition.

3.13.1 Shri Mitra has opposed CESC Ltd.'s prayer for an increase in the average tariff by 2.8%.

3.13.2 In the opinion of the objector, CESC Ltd should not ask for any increase in the tariff rate because it is a profit making company.

3.13.3 The objector has opposed granting of anything by way of special appropriation and contingency fund as the Electricity Act, 2003 does not make any mention of the same.

3.13.4 He is also of the opinion that gratuity and P.F. of the employees should come from the profit that CESC Ltd makes, and that tariff should not be increased because the Company has not done its duty in this respect.

3.13.5 T&D loss, according to the objector, should be at 10% only while the tariff petitioner has claimed success on the front of prevention of theft of power, it has stated that it cannot reduce T&D loss to 14%. The arguments given by the company are not acceptable, according to the objector. Shri Mitra has also to state that the number of HT consumers is less than the number of LT consumers everywhere. But inspite of that, T&D loss of BSES in Mumbai is only 10%. In this opinion the same should hold good for CESC also.

3.13.6 The objector has opposed CESC Ltd.'s prayer relating to funds for financing V.S.S.

3.13.7 Shri Mitra has suggested that the standards of consumer service must be appropriately considered while judging the claims of CESC Ltd. for increase in tariff. He has found that the licensee has not been putting into effect the Regulations and Codes in this behalf that have been made by the Commission.

3.13.8 He also has asked for stopping the process of increasing the tariff of small consumers while reducing the same for big consumers in the name of reduction of cross subsidies on the grounds that the Act has not defined cross subsidy, that the Hon'ble Supreme Court is still in the process of considering the issue of cross subsidy and that reduction in cross subsidies is both against the interest of the people and against the National Electricity Policy.

3.13.9 Finally, the objector has pleaded for re-introduction of the income tax slab system while laying down the tariff schedule, and has suggested that the tariff should be reduced in 2005-06.

3.14 Since some of the objectors have raised the question of maintainability of the instant tariff petition of CESC Ltd for 2005-06 on different grounds, the Commission has examined this matter first. After giving a careful consideration to the question of maintainability, and after considering all that has been stated by the objectors in this behalf, the Commission however, holds that the tariff petition in question does not suffer from any inherent defect that makes it ipso facto non-maintainable. Therefore, the Commission proceeds to examine different aspects of the tariff petition in the following chapters. While examining the same, the Commission has taken note of the relevant points raised by the objectors and commenter appropriately.

CHAPTER – 4

SALES & ENERGY BALANCE

4.1 CESC Limited is a Distribution Licensee having 4 generating stations of their own presently in operation. A substantial part of its power requirement is met out of own generation and the balance by purchase of power from other agencies. The proper assessment of the sales during the year for which the power tariff is to be fixed on prospective basis is of prime importance. We are, therefore, taking up first the examination of sales projections of CESC Limited.

4.2 Sales Projection:

4.2.1 The sales to own consumers projected by CESC Limited for the year 2005 – 2006 is for 5802 MU out of which 3733 MU will be sold to LT consumers and 2069 MU to HT consumers. The utility has also projected an export of 50 MU. The total projected power requirement for sale and export taken together, thus come to 5852 MU. It has been stated that the estimation of such category wise demand for consumption has been done through Geometric Mean Analysis (Compounded Annual Growth Rate) for all categories taking 1995 – 1996 as base other than for HT Industrial consumers. Sale to the HT Industrial consumers has been projected on the basis of present consumption trend of existing consumers. A number of such consumers have already switched over to captive generation and the situation is likely to worsen with more consumers opting for captive generation.

4.2.2 From the data submitted along with the tariff petition, the position of actual sale during 2003 – 2004 and sales estimated for the year 2004 – 2005 to LT consumers, HT Industrial consumers and HT consumers other than the Industrial consumers take the following quantifications:

Category of Consumer	2003-2004 (Actual)	2004-2005 (Estimated)	2005-2006 (Projected)	Percentage of Increase / (Decrease) over Actual of 2003-04
Overall LT Sale	3472	3565	3733	7.52%
HT Industrial Sale	1319	1223	1091	(17.28%)
HT other than Industrial Sale	920	950	978	6.30%

If the projected sales under above three broad categories are compared with the actual of 2003 – 2004, it can be observed that the projected overall LT sale and sale to HT consumers other than

the Industrial consumers will come to 7.5% and 6.30% respectively above the actual of 2003 – 2004. Such projected increase in sales to those categories of consumers seems rational to us. We have got rival opinion in this regard from some of the objectors. They have maintained that the projected sales to HT Industrial consumers have been understated and expressed the opinion that the utility should make efforts to counter any possible future risk of migrating HT consumers from the system by offering competitive price for its supply. The utility also has not ruled out the possibility of sales variation as the extent of migration to captive generation could not be assessed by it at this stage and has further suggested that the variation in the recovery of fixed cost on account of variation in sales data on actual basis may be adjusted through a suitable mechanism at a later date when such actual sales figures will be available. We agree with the proposal of CESC Limited in this respect and decide that any under or over recovery of the permitted fixed charges on account of variation in the volume of actual sales on the one hand and the sales as will be considered for working out the average cost of supply on the other, will be adjusted suitably in due course when actual sales figures for the concerned year will be made available. The quantum of sales we are considering for the year 2005 – 2006 is shown in paragraph 4.7 of this part of our order.

4.3 Energy Balance:

4.3.1 The energy balance projected by CESC Limited for the year 2005 – 2006 is as follows:

		Million Units
	Energy Input	
	Gross own Generation (80.80% PLF)	6900.00
i)	Less : Auxiliary Consumption (9.49%)	655.00
	Net Sent-out power from own Generation	6245.00
ii)	PURchase from WBSEB	830.00
iii)	Energy from WBSEB for wheeling	66.00
	Total Energy Input	7141.00
		Million Units
	Energy Utilization	
i)	Sales	5802.00
ii)	Own Consumption	19.00
	Total	5821.00
iii)	Energy to be wheeled to WBSEB	63.00
iv)	Wheeling loss	3.00
v)	Export	50.00
vi)	T&D Loss(17.02%)	1204.00
	Total	7141.00
* T&D loss computed by CESC Limited including on wheeling power to WBSEB is 16.9%		

We are viewing each component of the above energy balance one by one.

4.3.2 Power from own Generation:

CESC Limited has four generating stations in operation i.e., Budge Budge, Southern, Titagarh and New Cossipore. The first three named stations are less than 25 years of age and the last named one i.e. New Cossipore is 55 years old. Another power station at Mulajore has already been shut down in 2003 – 2004 after 64 years of operation. The Plant Availability Factor (PAF) and Plant

Load Factor (PLF) at different power stations in operation have been projected as under:

Power Stations	PAF (%)	PLF(%)
Budge Budge	94.4	85.2
Southern	94.1	82.9
Titagarh	94.3	82.3
New Cossipore	85.00	52.5

It has been stated by the utility that availability of its own plant is largely a controllable parameter, while the rest depends on circumstances external to the station and to a great extent are beyond reasonable control. Some of the objectors are of the opinion that by reducing the gap between the PAF and PLF of different power stations, the utility can make more power available from its own generating stations and this will lead to further reduction in more costly power intake from WBSEB. We have considered this point. From the projections of the Utility we find that it has proposed to reduce the gap between the PAF and PLF in Budge Budge and Southern Power Stations from the level of such gap in 2003 – 2004. In Titagarh, however, the gap has remained almost unaltered, while in New Cossipore, the same has increased. It has been observed from the submission of CESC Ltd. that for the purpose of optimizing the fuel consumption and for overall generation efficiency, the company operates its pulverized fuel fired power stations in higher merit order than New Cossipore Generating Station which is 55 years old. We, however, urge CESC Limited to make efforts to see that gap between the PAF and PLF is further reduced keeping the overall generating efficiency in view. We are admitting the projected generations at different power station as under.

Power Station	Million Units
Budge Budge	3730.00
Southern	980.00
Titagarh	1730.00
New Cossipore	460.00
Total	6900.00

4.3.3 Auxiliary Consumption:

The quantum of auxiliary consumption projected by CESC Limited at their different generating stations and as such consumptions come as percentage of gross generations are as under:

Power Station	Million Units
Budge Budge	354.00 (9.49%)
Southern	93.00 (9.49%)
Titagarh	164.00 (9.48%)
New Cossipore	44.00 (9.57%)
Total	655.00

Some of the objectors have pointed out that the rates of auxiliary consumption claimed by the Utility are on the higher side in comparison to actual rates as per their earlier accounts. This point has been examined by us with reference to data relating to 2003 – 2004 submitted along with the tariff petition. It has been observed that the rates of auxiliary consumption at different power station had been as under:

Power Station	Million Units
Budge Budge	9.04%

Southern	9.27%
Titagarh	8.91%
New Cossipore	8.79%

No reason has been advanced by the utility in the instant tariff petition for projecting a higher rate of auxiliary consumption in 2005 – 2006. Therefore, the projected higher rates are disallowed and the rates of such auxiliary consumption experienced by the utility in 2003 – 2004, are accepted. On that basis we allow auxiliary consumption as under:

Power Station	Million Units
Budge Budge	337.00(9.04%)
Southern	91.00 (9.27%)
Titagarh	154.00 (8.91%)
New Cossipore	40.00 (8.79%)
Total	622.00

4.3.4 Net Sent Out Power:

The net sent out power from different power station of CESC Ltd. for the year 2005 – 2006 admitted by us is as under:

Power Station	Million Units	
	As Projected	As Admitted
Budge Budge	3376.00	3393.00
Southern	887.00	889.00
Titagarh	1566.00	1576.00
New Cossipore	416.00	420.00
Total	6245.00	6278.00

4.4 Purchase of Power:

The quantum of net power intake from WBSEB has been projected to be 830 MU as against actual of 861 MU in 2003 – 2004 and estimated 895 MU during 2004 – 2005. The projected purchase is said to be in accordance with the plan of the utility to maximize its own generation to the extent feasible and cost effective under widely varying evening peak and night lean demand scenarios. On the point of exploring the possibility of purchasing power at cheaper rates from sources other than WBSEB, it has been stated that the decisions in this regard need to be taken on an ongoing basis depending on exigencies, operational constraints, peaking requirements and radial load etc. For the year 2005 – 2006, therefore, no purchase of power from the sources other than from WBSEB has been projected. The projected purchase quantity from WBSEB is admitted by us.

4.5 Transmission & Distribution Loss (T&D Loss):

One finds from the energy balance under the paragraph 4.3 above, which has been drawn in accordance with the system loss projected by CESC, that the T&D loss for the year 2005 – 2006 (excluding the loss towards wheeling of power to WBSEB) has been claimed at the rate of 17.02%. In their detailed submission, CESC Ltd. has highlighted the various actions initiated by it for reducing the T&D loss. It has been stated that the actual T&D loss was 22.8% in 2000 – 2001 and out of the same, 10.8% had been identified as commercial loss for pilferage etc. Such commercial loss has been projected to come down to 4.9% in 2005 – 2006. From their submission, it can be deduced that the technical loss has been estimated to remain constant at 12%. Almost all the objectors to the concerned tariff petition of CESC Limited have raised their objection on the extent of T&D loss claimed by the company. As far as technical loss is concerned, the objectors are of the

opinion that the same can be brought down by a considerable degree by changing over to higher transmitting voltage wherever feasible and by taking effective measures to win over the reluctance of the D.C. consumers to change over to A.C. supply. The objectors also do not consider the extent of projected commercial loss to be either reasonable or rational.

The Commission has carefully examined the submission and counter submissions in this regard and decides to allow T&D loss to the extent of 16% for the year 2005 – 2006. In view of the contents of the draft National Tariff Policy - which inspite of being a draft as of now, carries a clear direction in many matter – the Commission would take a fresh view on target setting in this respect in due course.

Export of Power:

It has been stated that CESC Limited has already commenced power export in the line with Commission's advice given in earlier tariff order. Data submitted along with the tariff petition indicated that the actual export during 2004 – 2005 was 8 MU only and the estimated such export during 2004 – 2005 is 50 MU. The target for 2005 – 2006 has been fixed at par with the estimated export quantity of 2004 – 2005. The export revenue estimated @ 160 paise / Kwh has been proposed for adjustment as other income with the gross amount of Revenue Requirements. Commission wants to record here as under:

(a) Proposed export of power will only be during the off-peak period when power is in excess of the demand in the CESC Limited's system.

(b) If any loss is incurred by the utility on account of such export, the same will be borne by the utility and not to be passed on to the consumers.

(c) The profit to be derived out of such export transaction will be shared by the utility with its own consumers in the manner as will be decided by the Commission.

(d) CESC Limited will be required to submit a detailed account in this regard along with their next tariff petition.

The Commission admits for projected export of power on above conditions.

4.6 Energy Balance Admitted:

On the basis of foregoing analysis we now draw the energy balance admitted by us for the year 2005 – 2006:

STATEMENT OF ENERGY BALANCE		
		Million Units
	Energy Input	
	Gross own Generation (80.80% PLF)	6900.00
i)	Less : Auxiliary Consumption (9.01%)	622.00
	Net Sent-out power from own Generation	6278.00
ii)	PURchase from WBSEB	830.00
iii)	Energy from WBSEB for wheeling	66.00
	Total Energy Input	7174.00
		Million Units
	Energy Utilization	
i)	Sales	5902.00
ii)	Own Consumption	19.00
iii)	Energy to be wheeled to WBSEB	63.00

iv)	Wheeling loss	3.00
v)	Export	50.00
vi)	T&D Loss(16.00%)	1137.00
	Total	7174.00

Broad category wise sales will be as under:

	Million Units
i) Overall LT Sale	3733.00
ii) HT Industrial Sale	1191.00
iii) HT other than Industrial Sale	978.00
Total:	5902.00

CHAPTER – 5

VARIABLE COST

5.1 Fuel consumption and cost claimed by CESC Limited for the year 2005 – 2006 for their four generating stations in operation, are as under:

Power Station	Qty. of Consumption		Cost Consumption	
	Coal (MT)	OIL (MT)	Coal (Rs. in Lakhs)	Oil (Rs. in Lakhs)
Budge Budge	2389749.00	3730.00	33707.00	764.00
Southern	680510.00	3430.00	11352.00	698.00
Titagarh	1220462.00	6920.00	20351.00	1464.00
New Cossipore	396548.00	*	9657.00	*
Total	4687269.00	14080.00	75067.00	2926.00

*** New Cossipore generating station has Chaingrate Boilers and hence consumption of oil not required.**

The tariff petitioner has also submitted along with tariff petition a statement showing the normative consumption of oil and coal based on the norms adopted by the Government of West Bengal earlier. As per their computations the total normative oil consumption comes to 32200 KL against which their present claim is for 14080 KL. So far as primary fuel, i.e., coal is concerned, the normative consumption has been worked out as 5063094 MT as against their present claim for cost of 4687269 MT (excluding transit loss). While working out the normative consumption of coal, transit loss has been considered @ 4%. It has, however, been stated by the CESC Limited that the average heat value of coal (GCV) is provisional and subject to a year end adjustment through Fuel and Power Purchase Cost Adjustment (FPPCA) based on actual heat value paid for. The company has also pointed out that in respect of Coal India Subsidiaries, major problems exist relating to both regularity and quality of coal supply including issues on joint sampling.

5.2 A number of objectors have raised objections against the calculation of fuel cost furnished by the tariff petitioner. Objections have, in particular, been registered on the heat value of coal received / receivable by the petitioner. We would like to make it clear that the final adjustment of fuel cost will take place through the operation of FPPCA clause, as has been done by the Commission in the earlier years. Also, while making such adjustments, only actual heat value received (for which, payments have actually been made by the tariff petitioner, as will be established through independent third party sampling method) will be taken into consideration. While on the subject, we note that there was a significant rise in the price of coal in 2004 – 2005, the effect of which will be manifested through the operation of the FPPCA clause for that year. The Commission is of the considered opinion that significant upward adjustments in the form of FPPCA effect during any year may best be avoided, if possible, in consumers' interest, for a sharp increase in tariff through FPPCA between two consecutive tariff orders makes all plans and

budgets of the consumers go awry. Keeping all these considerations in mind, the Commission now proceeds to compute the likely fuel consumption figures for the year 2005 – 2006 based on the norms as being laid down by the Commission hereinbelow. The Commission is also of the considered view that the computations furnished by the tariff petitioner are rather open-ended and are consequently fraught with a strong possibility of significant upward adjustment through the FPPCA clause. The Commission, therefore, proposes to make its own calculations in a normative manner.

Before doing so, the Commission would like to express its considered view that while management inefficiency should not be allowed to be passed on to the consumers, there is indeed some merit in the contention of the tariff petitioner that norms should, as far as possible, be equitable and consistent across licensees / generating companies after due allowance is made for reasonable classification so that superior performance is not unduly penalized. The Commission has also taken note of the fact that there is cause for genuine concern regarding reliability and / or quality of coal supply to the licensees / generating companies generating thermal power.

5.3 The following are the normative bases in this behalf:

- (a) Station heat rates of different power stations have been considered as per norms fixed by the State Govt. on the recommendations of a Heat Rate Committee (i.e., Expert Committee).
- (b) Specific oil consumption has been taken as considered appropriate by the Commission with reference to the consumption rates of earlier years.
- (c) Weighted average heat value of oil has been taken as estimated by the tariff seeker in the tariff petition (provisional).
- (d) Weighted average heat value (GCV) of coal has been considered with reference to the projected grade-wise mix of coal at different power stations taking the declared heat value of different grades of coal (provisional).
- (e) Provision for transit loss of coal has been considered at 2% as has been made uniformly applicable to all other generating stations.
- (f) Weighted average price of coal for each individual power station has been worked out with the reference to the grade-wise pit head price notified by the coal suppliers taking the grade-wise anticipated mix of consumption (provisional).
- (g) Weighted average price of oil at each individual power station as projected in the tariff petition (provisional).

COMPUTATION OF THE COST OF FUEL (COAL)

Sl. No.	Particulars	Unit	Budge Budge	Southern	Titagarh	New Cossipore	Total
1.	Gross Generation	MU	3730	980	1730	460	6900
2.	Auxiliary Consumption	MU	337	91	154	40	622
3.	Sent-out Energy (1-2)	MU	3393	889	1576	420	6278
4.	Station Heat Rate	K.Cal/Kwh	2650	2923	2952	5125	--
5.	Total Heat Required (1x4)	M.K.Cal	9884500	2864540	5106960	2357500	--
6.	Specific Consumption of Oil	ML/Kwh	2.00	2.50	2.50	N.A.	--
7.	Oil Consumption (1x6)	KL	7460	2450	4325	N.A.	--
8.	Weighted average GCV of Oil	K.Cal/Lt.	9624	9525	9631	N.A.	--
9.	Heat from Oil (7x8)	M.K. Cal	71795	23336	41654	N.A.	--
10.	Heat from Cal (5-9)	M.K.Cal	9812705	2841204	5065306	2357500	--
11.	GCV of Coal	K.Cal/Kg	3743	4128	4198	5945	--
12.	Coal Consumption (10/11)	MT	2621615	688276	120600	396552	4913043

13.	Coal Requirement (at 2% transit loss)	MT	2675117	702322	1231224	404645	5013308
14.	Average price of Oil	Rs.K.L.	20483	20350	21156	N.A.	--
15.	Average price of Coal	Rs./MT	1410.48	1668.16	1659.29	2435.27	--
16.	Cost of Oil (7x14)	Rs.Lakhs	1528	499	915	N.A.	2942
17.	Cost of Coal (13x15)	Rs.Lakhs	37732	11716	20430	9854	79732
18.	Total Fuel Cost (16+17)	Rs.Lakhs	39260	12215	21345	9854	82674

5.4 However, there may still be enough scope for the tariff petitioner to economize its operation further. The petitioner should make every possible effort to reduce the fuel cost in all the power stations. That will not only be in its own commercial benefits, but will also serve the interests of its consumers.

5.5 As usual, adjustments based on the year-end audited figures will be made in due course. We already know that there has been a considerable increase in the price of coal in 2004 – 2005 and the consequent upward adjustment in FPPCA is likely to be significant. Thus, if the adjustment through FPPCA during the year 2005 – 2006 is left alone, it is likely to be rather steep. Therefore, keeping in view all the considerations discussed in the foregoing paragraphs, the Commission directs the tariff petitioner to come up with the FPPCA claims for 2004 – 2005 simultaneously with the similar claim for 2005 – 2006 but with an individual and separate petition for each of the years, duly supported by the relevant documentary evidence and the annual audited data for each of the years. This treatment is also likely to be conducive to the possibility of the claims for these two years neutralizing each other to certain extent, if operational efficiency can be improved upon appropriately.

5.6 Power Purchase Cost:

The purchase of power from WBSEB as projected by CESC Limited is for 830 MU and claimed Rs. 22522.00 lakhs on account of this considering average purchase rate at 271.35 paise per unit. As we ordered in case of WBSEB, the purchase rate will be 253.38 paise / Kwh. However, if off-peak drawal ratio of 30% is not maintained against peak drawal on monthly basis then an extra charge of 15 p / kwh will be applicable for the entire drawal in the month. The amount due to this additional rate will be adjusted against FPPCA.

5.7 The variable cost, i.e., the cost of fuel and purchase is subject to adjustment in terms of the Fuel & Power Purchase Cost Adjustment (FPPCA) formula as applicable in terms of the Commission's Tariff Regulation.

5.8 It will be appropriate to mention here that some of the objectors raised question in regard to continuing with the generation at New Cossipore Power Station in consideration of its high cost of generation as also because of the relatively high degree of pollution this power station has allegedly been causing. Indeed, the per unit cost of fuel in New Cossipore is the highest among the four power stations CESC Limited is running. CESC Limited is directed to examine this issue from techno-economic point of view and submit a report containing the results of the examination to the Commission in 6 (six) months' time.

CHAPTER – 6 FIXED CHARGES

6.1 This chapter takes up an analysis of fixed charges claimed by CESC Limited for the year 2005 – 2006 under different accounts, leading to conclusions on how much of such claims can reasonably be allowed.

6.2 The Commission has received a good number of observations from the objectors on the issue of costs under different accounts while fixing tariff for a tariff petitioner. A few of them hold the opinion that tariff should be fixed on the basis of only actual expenditures. This is obviously against the principle of fixing tariff on prospective basis. We want to make it clear that in terms of Regulation No. 3.2 of the Commission's Tariff Regulations, 2003, the utility is to file the tariff petition in formats prescribed in the Commission's Conduct of Business Regulations, 2003 with the Commission at least 4 months earlier from the date from which the tariff is proposed to be varied. In terms of the referred Regulations, the utility needs to provide the data of actual expenditures on different accounts incurred in the year preceding the financial year in which tariff petition is

filed. For the year of filing the petitions, they are to provide rational estimates based on the actual expenditures incurred upto a particular period and on reasonable estimates for the rest period of the year. The projected expenditure on different accounts for the year for which the tariff is proposed to be varied are being analysed and admitted on prudent analysis of the facts and figures that are submitted before the Commission along with the tariff petition. The utility also submits copies of their audited annual accounts for preceding three years. Some of the objectors opined that the expenditures under different heads of accounts allowed by the Commission in earlier tariff orders are in excess of the actual as per the accounts of the utility. This point has also been carefully examined by the Commission. It reveals from our examination that the total fixed expenditures allowed by the Commission in tariff of CESC Limited in the year 2002 – 2003 and 2003 – 2004 are not in excess of actual of such total fixed expenses incurred as per the audited accounts though some variations have been noted under individual heads of accounts. Any variation in the Fuel and Power Purchase Costs are adjustable in terms of Fuel Power Purchase Cost Adjustment (FPPCA) formula enunciated by the Commission in Schedule 4 of the Commission's Tariff Regulations.

6.3 We are also to point out here that under the system of tariff fixation from a prospective data, coming of variance between the total fixed cost built in the tariff and actual total fixed cost incurred as per the accounts, cannot be ruled out completely. Utility's endeavour to minimize the expenditures on different accounts to gain the commercial benefits by way of keeping the tariff at a lower level may also be the reason for such variation in the lower side. In the Tariff Regulations, 2003, provisions have been kept for sharing the benefits of the savings in expenditure by the utility and the consumer. After providing above clarifications, we are now to analyse the fixed charges projected by CESC Limited for the year 2005 – 2006 and to record our decisions in regard to the admissibility of those fixed charges.

6.4 Employees' Cost:

Total employees' cost projected by CESC Limited for the year 2005 – 2006 is for Rs. 28122.00 lakhs with the following break-up:

	Rs. in Lakhs
i) Salary & Wages	23577.00
ii) Terminal benefits	2650.00
iii) Contribution to Gratuity Fund	1895.00
Total	28122.00

Salary and wages include contribution to provident fund and other funds, employees' welfare expenses, etc. The projected amount has been suggested after capitalisation of Rs. 3214.00 lakhs on this score. Regarding the claim towards terminal benefits, it has been clarified by the tariff petitioner that the Voluntary Separation Scheme (VSS) was drawn only after meeting the requirements stipulated under the provision of Income Tax Act, 1961 and Rules framed thereunder. 2296 Nos. employees have applied for voluntary retirement under the scheme, and separation was effected from February 2004. The total financial implication in this regard has been worked out to be Rs. 11226.00 lakhs. It has been observed that total amount allowed by the Commission in the tariff upto 2004 – 2005 was Rs. 8576.00 lakhs. The balance amount of Rs. 2650.00 lakhs has been claimed now in the tariff for 2005 – 2006. The claim for contribution to gratuity fund is towards shortfall in the corpus of the same maintained with the LIC, based on actuarial valuation. After careful consideration of facts and figures brought out in the tariff petition, we admit the full amount claimed under employees' cost.

6.5 Repairs & Maintenance (including Consumables):

6.5.1 The total amount claimed on this score stands at Rs. 15281.00 lakhs. This amount includes Rs. 779.00 lakhs towards impact of service tax on Repairs & Maintenance, which has been estimated at the current applicable rate of 10.2% (excluding value of consumable stores). The utility has highlighted that its New Cossipore generating station is 55 year old. Titagarh and Southern generating stations are also more than 20 and 13 years vintage respectively. The company also runs a network, which has been developed over a period of 100 years. The bulk of the repair and maintenance cost in distribution side is on account of MV and LV distribution network. It has also been pointed out that compared to 2003 – 2004, LT load is expected to increase by around 8%. Moreover, inspite of a fairly aged generation capacity, the rise in generation has been projected to be higher by 3% over the level of 2003 – 2004. It has been argued that due to these factors, the company will require higher sum for consumables like

grinding mill elements, lubricants, chemicals, etc. The Commission also carefully noted the points raised by different objectors on high cost of maintenance as well as quality of services. The issue has been carefully examined by us. The actual expenditure incurred by the utility towards repairs and maintenance including the cost of consumables during 2003 – 2004 come to Rs. 12602.00 lakhs excluding the impact of service tax. Because of the above factors, the charges for repair and maintenance, including consumables, the Commission agrees, will be higher than what would be indicated by application of a simple inflation factor. The Commission admits a sum of Rs. 15281.00 lakhs on this account.

6.5.2 We, however, direct CESC Limited to take care for improvement in the consumer services. Mere attending the breakdown calls will not be enough. The company should have a good system of preventive maintenance for that purpose. As observed by some of the objectors, continuance with the generation in New Cossipore Power Station with high fuel cost as well as maintenance cost should also be examined critically by CESC Limited from the techno-economic points of view and the company should submit a report to the Commission, giving all pros and cons on the matter.

6.6 Coal & Ash Handling Expenses:

The amount claimed by CESC Limited towards Ash and Coal Handling is Rs. 1617.00 lakhs as against actual expenses of Rs. 1635.00 lakhs in 2003 – 2004. It has been highlighted that a high concentration slurry disposal system at Budge Budge plant is in operation and its favourable impact has duly been considered while projected the expenditure. In view of an average 3% increase in projected generation during 2005 – 2006 over the actual of 2003 – 2004 and also in view of the urgent necessity to maintain pollution control norms scrupulously, we admit the projected expenditure in this behalf, noting in the process that the sum asked for is less than the actual expenses registered in 2003 – 2004.

6.7 Water Cess:

The projected amount of expenditure towards water cess is Rs. 386.00 lakhs as against actual expenditure of Rs. 304.00 lakhs in 2003 – 2004 and estimated expenditure of Rs. 467.00 lakhs in 2004 – 2005. The projected expenditure of Rs. 386.00 lakhs on this score is considered reasonable and is admitted by us.

6.8 Administration & General Charges:

Total amount of expenses towards Administration and General charges, as projected by CESC Limited for the year 2005 – 2006 is Rs. 7647.00 lakhs. As we find from their submission, the break up of the projected amount is as under:

Sl. No.	Accounts Head	Amount (Rs.in Lakhs)
i)	Rent, Rates & Taxes (Other than taxes on income and profit)	992.00
ii)	Legal charges	580.00
iii)	Audit Fees	40.00
iv)	Travelling	490.00
v)	Vehicle Expenses	839.00
vi)	Telephone & Communication	275.00
vii)	Security	333.00
viii)	Advertisement	238.00
ix)	Computer Maintenance	311.00
x)	Stamp & Courier	535.00
xi)	Cash Collection Charges	140.00
xii)	Consultancy	14.00
xiii)	Insurance	545.00
xiv)	Other Administration Expenses	2315.00
	Total	7647.00

The projected expenditures are found to be without much variance from the level of actual expenditures incurred in the year 2003 – 2004 and estimated expenditures for 2004 – 2005

except the item covering Rent, Rates and Taxes. Under this item, the actual expenditure was Rs. 679.00 lakhs in 2003 – 2004. The projected expenditure amounting to Rs. 992.00 lakhs is higher by more than 46% of the actual expenditure on this account incurred in 2003 – 2004. CESC Limited has advanced an explanation for such a phenomenon in their submission. The projected figure of expenditure is based on revised valuation made by Central Valuation Board, and adopted by Budge Budge and Titagarh Municipalities and also on the applicable land revenue, which had a steep increase from October 2003. On the basis of such clarifications and our analysis we admit the expenses so projected under this sub-head. A number of objectors have expressed their reservation about the projected expenditures under administration and general charges, which in their opinion are much on the high side. Some have even opined that no expenditure on legal charges should be allowed in the revenue requirement of the petitioner company and that such charges should be borne by the tariff petitioner out of their returns. We also feel that CESC Limited should take some austerity measures to bring down expenditures under legal and other administrative expenses. Legal expenses we are allowing at the level of expenditure actually incurred under this head in 2003 – 2004 and for other administration expenses, we are reducing the amount claimed for by 2.5% approximately. The expenditures that we admit are shown in the statement of Revenue Requirements in Chapter – 7 of this order.

6.9 Interest & Other Finance charges:

The interest and other finance charges claimed by CESC Limited are a

	Rs. in Lakhs
a) Interest on borrowing	24494.00
b) Interest on consumers' Security Deposit	2598.00
c) Foreign Exchange Rate variation	5929.00
d) Lease Rental	2578.00
e) Other Finance charges	1058.00
Total	36657.00

We are examining the amounts claimed under each of the sub-heads as under:

(a) Interest on Borrowing:

(i) CESC Limited has provided detailed computations of interest payable on their borrowings from different sources. From the details provided, it is found that the opening balance of outstanding loans at the beginning of the year 2005 – 2006 will be Rs. 191576.00 lakhs out of which a total amount of Rs. 34026.00 lakhs is due for repayment during the year. The company has also taken advance from the consumers, which is adjustable with power supply bills. The average balance of such advances has been considered Rs. 1800.00 lakhs bearing interest @ 9.5%. As per the computations submitted and scrutiny of the same with reference to the rates of interest and scheduled date of repayment of borrowings from different sources, the amount of chargeable interest comes to Rs. 21525.00 lakhs. The company also claimed interest on their working capital restricting to 2 month's sales revenue in terms of the Commission's Tariff Regulation. The rate of interest on such working capital has been considered @ 11.5% estimated to be Rs. 4602.00 lakhs. As per our computation, interest @ 11.5% on two months' sales revenue comes to Rs. 4324.00 lakhs. The total interest thus comes to Rs. 25849.00 lakhs (Rs. 21525.00 lakhs + 4324.00 lakhs).

(ii) Some of the objectors have pointed out that the rates of borrowings of CESC Limited is on the higher side in comparison with the present day lending rates, even after completing debt restructuring in 2004. It has been noted from CESC Limited's submission that the company commenced fresh negotiations with some of its major lenders for bringing down the interest rate further. It has also been submitted that the company in its on going cost curtailment endeavour is in the process of availing of refinance loans to the extent of around Rs. 30000.00 lakhs at cheaper rate of interest, which will result in interest savings of further 900.00 lakhs and they propose to reduce the computed interest by this amount in 2005 – 2006.

(iii) Part of the actual cost of Budge Budge Power Station was disallowed and the completion cost of that power station was considered to be Rs. 229557.00 lakhs as per CEA arbitration and as permitted by the Hon'ble Supreme Court. The interest on the outstanding loan balance relating to the disallowed cost has been worked out to be Rs. 733.00 lakhs for the year 2005 – 2006. The company has also proposed to reduce the amount from the computed interest.

(iv) The interest chargeable to Revenue Accounts, thus, comes as under:

Computed Interest (as referred in paragraph 6.8(a)(i) above.		25849.00
Less: Benefits of refinancing loan	900.00	
Disallowance on account of disallowed Capital cost of Budge Budge Power Stn.	733.00	1633.00
Amount allowed		24216.00

(b) Interest on Consumers' Security Deposit:

A sum of Rs. 2598.00 lakhs has been claimed by the company by way of interest on consumers' security deposit. The amount worked out on the average amount of security deposits @ 6% per annum is admitted by us.

(c) Foreign Exchange Rate Variation:

The company has borrowing from different sources in foreign currencies in US \$, EURO, JAY and GBP. Such borrowings were accounted for in rupee terms at exchange rates prevailing on the respective dates of drawal. The scheduled repayments need to be made at the exchange rates of the days when such repayments are due. Considering an average annual increase of 3% in the exchange rate over 2004 – 2005, the total loss on scheduled repayments during 2005 – 2006 on account of exchange rate variation has been estimated to be Rs. 5929.00 lakhs. The company has submitted the detailed computations in this regard. On verification of the same, the Commission admits the amount claimed for on this account.

(d) Lease Rental:

Some of the fixed assets of the company in operation are on lease basis. The amount claimed towards rents payable on account of such lease is Rs. 2578.00 lakhs. The projection in this regard is said to have been done considering terminations and additions etc. It has been observed that the expenditure on this account has a downward trend and may be reduced by around 12.5% from the actual expenditure of Rs. 2945.00 lakhs in 2003 – 2004. We admit the amount claimed for at present. But CESC Limited is directed to examine the benefits of acquiring assets on lease basis from economy point of view before entering into any fresh lease contract and to submit a report to the Commission in this regard along with the next tariff petition.

(e) Other Finance Charges:

The other finance charges are on account of guarantee commission and premium payable for ECGD backed suppliers' credit for Budge Budge plant, brokerage, etc. for mobilization of public deposits, bond charges, front end fees on refinancing loans, letter of credit charges for power purchase and fuel procurement, etc. The total amount in this regard has been projected to be Rs. 1058.00 lakhs as against actual of Rs. 3346.00 lakhs in 2003 – 2004. The company has provided head wise break up of the amount claimed for. On examination of the details submitted, the Commission admits the amount claimed for.

6.10 Bad Debts:

CESC Limited asked for a provision of Rs. 2000.00 lakhs towards Bad Debts. It has been stated that recovery of bad debts by filing legal suits in respect of low-end consumers is often not justifiable from the cost benefit angle. The company has placed to the Commission for prescribing a norm for allowing such bad debts as a percentage of the turn over. The amount claimed by them is coming to a figure, which is lower than 1% of the projected turn over. It has also been pointed out that some of the Regulatory Commissions have already fixed such norms ranging from 1.5% to 2.5%. We have also got rival opinions from the objectors on the subject. It has been pointed out by some of the objectors that CESC Limited is holding security deposits from the consumers and the company's billing cycle is one month. Moreover they are recovering dues of earlier occupants from the subsequent occupants of premises and hence incidents of debts going bad should be negligible. In regard to allowing bad debts as a percentage of turn over on normative basis, we feel that the incident of debts going bad may vary from utility to utility depending upon its area of operation as well as consumer cross section, billing cycle, etc. We, therefore, do not subscribe to the view that favours fixing norm as a percentage of the turnover for allowing bad debts at the moment. Part of the debts going bad is a phenomenon common to all types of business and therefore, the Commission decides to allow only bad debts to the extent actually considered bad by the management. From the copy of audited accounts submitted along with the tariff petition it comes out that the amounts considered bad and doubtful in 2002 – 2003 and 2003 – 2004 were Rs. 1381.00 lakhs and Rs. 2037.00 lakhs respectively (net of recoveries) as against Rs. 1002.00 lakhs and Rs. 1200.00 lakhs allowed by the Commission. For the year 2005 – 2006, we are allowing Rs. 1216.00 lakhs only to recover short provisions of referred two years.

6.11 Depreciation:

The depreciation on fixed assets has been claimed for Rs. 25444.00 lakhs worked out as per the rates specified in the Companies Act, 1956 under the straight line method and as applicable to continuous process plant, where appropriate. The company has submitted details of computation of depreciation in the format as prescribed by the Commission. We, therefore, admit the amount claimed for. It is to be noted here that the amount claimed is net of depreciation disallowable on account of Budge Budge project cost over run.

6.12 Advance Depreciation:

The utility has also asked for an amount of Rs. 675.00 lakhs as advance against depreciation. No such advance against depreciation is admissible in terms of Commission's Tariff Regulation. The company also has not advanced any convincing ground for asking such advance. We, therefore, do not admit this claim.

6.13 Value of Intangible Assets to be Written Off:

The projected amount of Rs. 72.00 lakhs towards the value of Intangible Assets to be written off is admitted by us.

6.14 Minimum Alternative Tax:

CESC Limited claimed an amount of Rs. 1850.00 lakhs towards Minimum Alternative Tax (MAT). It has been clarified by them that for the past accumulated losses, under the provisions of Income Tax Act, 1961, the company falls in zero tax bracket and is not likely to have taxable income in respect of the financial year 2005 – 2006. But the company's total liability towards minimum alternative tax computed under the provision of Income Tax Act is Rs. 1850.00 lakhs upto 2004 – 2005. Out of the total amount claimed, Rs. 60.00 lakhs and Rs. 715.00 lakhs pertain to the year 2002 – 2003 and 2003 – 2004 respectively. For these two years, accounts after company have already been finalized and got audited. The estimated amount of MAT for the year 2004 – 2005, if worked out on the Reasonable Return amount of Rs. 10782.00 lakhs allowed by the Commission for that year, comes to Rs. 845.00 lakhs. The total amount payable towards MAT, thus, comes to Rs. 1620.00 lakhs upto 2004 – 2005. The payment of this amount is a statutory obligation on the part of the utility. We provisionally admit the amount subject to any adjustment that might be needed on the basis of actual payment in this regard. The tariff petitioner is directed to submit documentary evidence of actual payments when the next tariff revision petition is submitted.

6.15 Reasonable Return:

CESC Limited has claimed a sum of Rs. 14285.00 lakhs towards reasonable return computed at the rate of 14% on the stated amount of equity employed amounting to Rs. 102036.00 lakhs as on 31st March 2005. The amount of equity employed has been shown thus:

	Rs. in Lakhs
(i) Equity share capital and premium as on 1st April 2004	48942.00
(ii) Free reserves	33720.00
(iii) Reasonable return and special Appropriation allowed by the Commission for 2004 – 2005.	14415.00
(iv) Cash realised from Rights issue of Equity shares in October 2004.	4959.00
Total	102036.00

A number of objectors have sounded their disagreement with the said claim of the tariff petitioner. While some of them have opined in favour of reduction in the aforementioned rate, some have given alternative calculations of the returns. The overall view seems to be that the claims of the tariff petitioner contains a number of inadmissible items and that the applicable rate is less than 14% in terms of the Tariff Regulation of the Commission.

The Commission has carefully considered the opinions expressed by some of the objectors. In the considered view of the Commission, the difference between the relevant quantifications submitted by the tariff petitioner and those suggested by the objectors appears to be really a question of what some of the formalities require in this behalf vis-à-vis what should be fair dispensations overall.

First, the question of admissibility of the components of the rate base may be examined.

There is no doubt about the admissibility of the paid up equity capital. This item amounts to Rs. 6670.00 lakhs as per the audited accounts of 2003 – 2004.

However, there is a question about admissibility of a sum of Rs. 719.00 lakhs, which represents the value of equity shares issued for consideration other than cash. This sum does not amount to paid up equity capital, and therefore, it should be deducted from the paid up equity capital amount of Rs. 6670.00 lakhs to arrive at the correct quantification in this respect.

Share premium amounting to Rs. 42272.00 lakh, as on 31st April 2004 which is to be found from the audited accounts of the company for 2003 – 2004 is also an admissible item without any dispute.

On the other hand, there may not be any ground for inclusion of the item described as 'reasonable return and special appropriation allowed by the Commission for 2004 – 2005' in the class of equity employed at this stage pending such appropriation. The sum of Rs. 14415.00 lakhs shown against this item, or any part of the same, may not be eligible to be counted in the rate base because it remains to be seen how much of the amount is actually appropriated in the manner described at the end of the year. Therefore, this item counted, for the present, as an element of the rate base. The item 'cash realised from Rights issue of equity shares in October 2004', however, clearly qualifies to be included in the rate base.

The item, which is at the centre of debates, is "free reserves", the question being whether it can constitute to be a part of the rate base. The Tariff Regulation of this Commission does not mention 'free reserves' as an element of the rate base. But, the concerned Regulation of the CERC have included 'free reserves' in the rate base and so does the National Tariff Policy, the draft of which is in circulation at the moment. While one may question the applicability of the CERC Regulation to the instant case (because CESC Limited, in spite of having and running a number of power generating units, is treated as a distribution licensee) as also point out that the draft National Tariff Policy is yet to attain finality, the very fact that 'free reserves' have been included in these two documents clearly indicates the choice of the higher level policy makers in this respect. As a matter of fact, had the draft National Tariff Policy been put into effect before passing of the instant tariff order, the item 'free reserves' would have superseded such clauses in the Regulations of the Commission, which would have been in contradiction with the National Policy. The proviso to Regulation 5 of the West Bengal Electricity Regulatory Commission (Tariff) Regulation 2003 states that ".....if there is difference between such financial terms and conditions and National Electricity Policy and Tariff Policy or principles and methodologies specified by the Central Commission in case of Generating Companies and Transmission Licensees, then the Commission shall be guided by the same, though subject to other provisions of Regulation 4, which shall also be appropriately taken into account". And, Regulation 4.1(i) *ibid* mentions, *inter-alia*, the national Electricity Policy and Tariff Policy as factors by which the Commission would be guided while determining tariff.

Even though the National Tariff Policy is still in the draft stage, the National Electricity Policy has already been put into effect from 12th February 2005. Paragraph 5.8.4 of this National Policy states thus, "Capital is scarce. Private sector will have multiple options for investments. Return on investment will, therefore, need to be provided in a manner that the sector is able to attract adequate investments at par with, if not in preference to, investment opportunities in other sectors."

Also paragraph 5.8.7 *ibid* lays down that ".....it will be necessary that all the generating companies, transmission licensees and distribution licensees receive due payments for effective discharge of all their operational obligations, as also for enabling them to make fresh investments needed for the expansion programmes."

Since the National Electricity Policy is fully operational now, these policy decisions cannot be ignored.

From the factual point of view, the tariff petitioner has shown in pages 17-18 of Volume – II of the tariff petition how utilization of internal resources towards addition in fixed assets has taken place from 2003 – 2004 and how the company proposes to continue along the same line in 2005 – 2006 also. Further, the petitioner has stated that fresh borrowings for capital expenditure have neither been made during 2003 – 2004, nor the same is projected in 2004 – 2005 or in 2005 – 2006. Also, the company does appear to have already made repayments of sizeable amounts of its earlier loans out of its own internal resources (i.e. Rs. 8282.00 lakhs in 2002 – 2003, Rs. 38373.00 lakhs in 2003 – 2004 and Rs. 69355.00 lakhs in 2004 – 2005). This lends a good amount of credence to the company's claims for generation and utilization of its internally accrued resources.

Against such a background, when one faces the moot question as to whether the capex incurred by the tariff petitioner and funded by its free reserves should be given due recognition in the shape of a return, one finds that if one goes only by the words of the schedules to the Tariff Regulation and if one chooses to ignore the policy directives of the National Electricity Policy – as also the directional force behind the National Tariff Policy even though the latter has not reached its formal

finality – one may not include the free reserves employed in capital expenditure of the tariff petitioner, in the rate base for the purpose of determining its reasonable return. But one should do so, if one goes not only by the spirit of the matter but also by the mandates given by the already operational National Electricity Policy.

The Commission has given a very careful consideration to all pros and cons of the entire ensemble. After having done so, the Commission concludes that this is a fit case for application of its inherent power in terms of Regulation 8(iii) of the West Bengal Electricity Regulatory Commission (Tariff) Regulations, 2003 to meet the end of justice and does away with the provision in the schedules of the Commission's above quoted Tariff Regulations, of keeping out free reserves of the appropriate kind from the rate base for the purpose of determination of reasonable return.

However, even though we consider this case to qualify for being given such a treatment in the interest of overall justice and having regard to the National Policies in question, the exact dispensation, we feel, should be finalized only after the National Tariff Policy attains its finality and further we get an authentic picture of how much of retained earning in course of 2004 – 2005 is really ploughed back in building up / extension of capital assets. The latter can come only through the audited accounts for 2004 – 2005. We, therefore, decide to allow a certain sum as reasonable return entirely on provisional basis for the present.

But, before we go into calculations, there is another question to be considered. It refers to the rate at which the return should be calculated. Some of the objectors have themselves done some calculations and presented the results thereof to establish their claim that the rate should be less than 14%. On the other hand, CESC Limited has prayed for a rate of return of 16% (vide page 40 of Vol. I of the tariff petition, as also page 30 of Vol. II *ibid*) on the ground of risks. The prayer of the tariff petitioner has no basis whatsoever and we simply reject the same.

At the same time, there does not appear to be adequate justification for bringing down the rate to any figure below 14%. Apart from the facts that the CERC guidelines prescribed a rate of return of 14% and the draft National Tariff Policy prescribes adoption of the CERC rate for distribution business also, the fact remains that the Tariff Regulations allow 5% above the ruling Bank rate, or 3% PLR rate of the State Bank of India or the average of any other three approved Nationalised Banks, whichever is higher. The last alternative gives a higher rate which comes to 14% being PLR of 11% + 3%. This, as a matter of fact, can be worked out from a table annexed to the paper containing objections of one of the objectors. This Commission, therefore, allows a rate of return of 14%.

Going back to the question of determination of the rate base, we present our calculations as given below:

	Rs. in Lakhs
(a) Paid up equity capital as on 1st April 2004 as per audited accounts.	6670.00
Less: Value of equity shares issued for consideration other than cash.	719.00
	5951.00
(b) Share premium as on 1st April 2004 as per audited accounts	42272.00
(c) Cash realised from Rights issue on equity Shares in October 2004	4959.00
(d) Free reserves employed in building up / expansion of capital assets.	33720.00
Total	86902.00

14% of the above total sum takes the reasonable return to Rs. 12166.28 lakhs. But, we do not allow the entire amount at one go because of the elements of indeterminacy in the shape of the National Tariff Policy being in draft stage and also because of the fact that the free reserves so employed are not supported by the audited figures.

After careful consideration of the matter, we allow on this account, a sum of Rs. 10782.00 lakh, which was the reasonable return allowed to the same tariff petitioner last year. We make it clear again that this has been allowed only provisionally and the amount allowed is subject to appropriate adjustments on receipt of the audited accounts of the company for 2004 – 2005 certifying, *inter-alia*, how much of the free reserves has actually been employed in building up and / or expansion of assets of the company pertaining to such areas of operation tariffs for which are determinable by the Commission, and also on receipt of the National Tariff Policy, a draft of which

is currently in circulation. The tariff petitioner is directed to come up with the audited accounts for 2004 – 2005 and other documentary evidence showing employment of its free reserves in the manner described above positively along with its next tariff petition.

6.16 Performance Incentive:

The amount claimed by CESC Limited towards performance incentive is Rs. 3410.00 lakhs. According to them, the company achieved continuous improvement in capacity utilization (Plant Load Factor) in their cost effective modern plant viz. Budge Budge, Southern and Titagarh, which are less than 25 years of age. The target of average Plant Load Factor (PLF) of these three plants is 84.0% and the same in New Cossipore Plant (which is 55 years of age) is 52.5%. The overall Plant Load Factor has been aimed at 80.8% average. It is argued that any improvement in Plant Load Factor of economic generating stations serves the interest of the consumers since purchase of power, with higher variable charge, gets replaced with own generation with lower variable cost. The proposal of the company is to share the benefits of the increased generation at different range of PLF at different ratio. But the method as to how the monetary value of benefits of achieving higher PLF and with reference to what rate of purchase arrived, has not been spelt out clearly. The Commission has received rival opinions from the objectors. Some of the latter hold the view that no such incentive should be allowed in the absence of any clear policy in this regard, while others are of the opinion that incentive, if any, to be allowed to the Licensee for higher generation, should not be at a PLF level less than 82%. Some again have put the PLF level below which no incentive should accrue to a licensee at 86%. The objectors also think that any incentive for Plant Availability Factor should simultaneously be linked to disincentive for lower availability. The Commission is yet to take a policy decision in regard to providing suitable incentive and norm of performance in this regard. Moreover, the benefits of economic generation cannot be worked out in monetary terms for prospective period. It requires to be worked out with reference to actual performance duly compared with the norms. We are, therefore, not considering to allow any incentive for working out the Revenue Requirement of the company at this stage.

6.17 Special Appropriation:

CESC Limited claimed Rs. 8621.00 lakhs towards Special Appropriation on under noted accounts.

	Rs. in Lakhs
(a) On account of Fuel Cost for the year 1996 – 1997 and 1997 - 1998	3682.00
(b) Appropriation to Contingencies Reserve	2513.00
(c) Part of Appropriation allowed by the State Government towards Budge Budge Power Station cost differentials.	2426.00
Total	8621.00

6.17.1 In regard to appropriation asked for towards short recovery of fuel cost in 1996 – 1997 and 1997 – 1998, it has been noted that the Government of West Bengal considered the referred amount as a special appropriation. The company has submitted a copy of the letter in this regard from the State Power Department. But why the short recovery of fuel cost for such a remote past period could not be admitted and claimed earlier is not at all clear. We do not think it is appropriate to admit such claims at present and allow the amount for recovery through power tariff for the year 2005 – 2006.

6.17.2 The company asked for a sum of Rs. 2513.00 lakhs towards appropriation to contingencies reserve calculated @ 0.5% of the total gross fixed assets value of the company. In this regard we want to point out that contribution to contingency reserve fund up to a limit of the gross block of fixed assets was allowable under the provision of Electricity (Supply) Act, 1948. There is no such provision in the Electricity Act, 2003 and the same is also not allowable under the Tariff Regulation, 2003, of the Commission. We are, therefore, not admitting this at present.

6.17.3 Pursuant to Hon'ble Supreme Court Order dated 3rd October 2002 upholding CEA to arbitrate Budge Budge project cost, the State Government allowed recovery of a sum of Rs. 9704.00 lakhs towards depreciation, interest, foreign exchange rate variations and reasonable returns disallowed in earlier years. Out of this total amount, half of this amount i.e. Rs. 4852.00 lakhs has been allowed by the Commission in two equal instalment in the year 2003 – 2004 and 2004 – 2005. The rest of the sum is actually due to the tariff petitioner. The Commission decides to allow the balance amount of Rs. 4852.00 lakhs now.

6.1 Revenue from Export of Power:

The utility has projected an export of 50 million units of power @ 160.00 paise / Kwh total recovery of which amounting to Rs. 800.00 lakhs. We admit the projected amount subject to the

conditions as mentioned by us vide paragraph 4.6.

6.2 Other Income:

The company has estimated receipts of income from other sources totaling to Rs. 56.58 lakhs. It has been seen that the amount is not much in variance with the level of such receipts in earlier years. We, therefore, admit the same.

6.3 Adjustment of mismatch in purchase cost allowed in 2004 – 2005:

We are to refer paragraph no. 14.4 and 14.5(e) of our tariff order dated 24th May 2004 for the CESC Limited> The total sales of CESC Limited during the year 2004 – 2005 had been considered by the Commission for 6033 MU as against 5780 MU projected by utility disallowing the part T&D loss claimed with this change, the purchase requirement of CESC Limited was considered 1297 MU. It was ordered that CESC Limited was to meet up the requirement of this quantity of power by improving its generation or by purchase from WBSEB or from any other sources within the ceiling of rates payable to WBSEB. The average rate of power supply by WBSEB was considered 269.00 paise / Kwh plus a peak surcharge. However, there was a mismatch between the rate at which CESC Limited was to purchase power from WBSEB and the rate at which WBSEB was to sell to CESC Limited. The extent of the mismatch was 43.34 paise / Kwh and the quantum considered was 1297 MU. The attention of the Commission has been drawn to the mismatch and the Commission decides to recover the entire amount of Rs. 5621.00 lakhs which is the monetary expression of the mismatch at one go from the total revenue requirement of CESC Limited for 2005 – 2006. Further, in the considered opinion of the Commission, the aforementioned sum of Rs. 5621.00 lakhs should be treated as "deposit from the consumers" and should bear interest @ 6% per annum as is applicable to cash security deposit given by the consumers. As the referred amount has been realised by CESC Limited over a period of 12 months, the effective rate of interest has been considered 3%. Thus, the amount including interest that is required to be adjusted from the Revenue Requirement of 2005-06 comes to Rs. 5790.00

CHAPTER - 7 REVENUE REQUIREMENT & AVERAGE COST OF SUPPLY

7.1 Based on the foregoing analysis and admission of variable cost and Fixed Charges the Commission now draw the Statement of Revenue Requirements of CESC Limited for the year 2005 – 2006 and also work out the average cost of supply as under:

STATEMENT OF REVENUE REQUIREMENT & COST OF SUPPLY:

Sl. No.	Particulars	As per Petition Rs. in Lakhs	As found Admissible Rs. in Lakhs
A. VARIABLE COST :			
1.	Fuel Cost	77992.00	82674.00
2.	Power Purchase	2252200	21031.00
	Total Variable Cost : (A1+A2)	100514.00	103705.00
B. FIXED COST :			
1.	Employee Cost	28122.00	28122.00
2.	R&M including consumables	15281.00	15281.00
3.	Coal and Ash Handling	1617.00	1617.00
4.	Water Cess	386.00	386.00
5.	Rent, Rates and Taxes	992.00	992.00
6.	Legal Charges	580.00	497.00
7.	Auditors Fees	40.00	40.00
8.	Other Administrative and General Charges	6035.00	5881.00
9.	Interest & Other Finance Charges		
	a) Interest on loans	24494.00	24216.00

	b) Foreign Exchange Rate Variation	5929.00	5929.00
	c) Other Finance Charges	1058.00	1058.00
	d) Interest on Consumer's Security Deposit	2598.00	2598.00
	e) Lease Rentals	2578.00	2578.00
10.	Bad Debts	2000.00	1216.00
11.	Depreciation	25444.00	25444.00
12.	Advance for Depreciation	675.00	0.00
13.	Intangible Assets to be written off	72.00	72.00
14.	Minimum Alternative Tax	1850.00	1620.00
	Total Fixed Cost : (B1 to B11)	119751.00	117547.00
	Revenue Requirement (A+B)	220265.00	221252.00
C. RETURN, INCENTIVE & SPECIAL APPROPRIATION			
15.	Reasonable Return on Equity	14285.00	10782.00
16.	Performance Incentive	3410.00	0.00
17.	Special Appropriation	8621.00	4852.00
	Total (C15 to C17)	26316.00	15634.00
D.	GROSS REVENUE REQUIRED (A+B+C)	246581.00	236886.00
E. ADJUSTMENTS :			
18.	Other Income (Non-Tariff)	5658.00	5658.00
19.	Revenue from Export	800.00	800.00
20.	Excess Purchase cost allowed in 2004-2005	0.00	5790.00
	Total (E18 to E20)	6458.00	12248.00
	REVENUE REQUIRED FROM SALE TO OWN	240123.00	224638.00
	CONSUMERS (D-E)		
	Sale to CESC's own consumers	5802.00	5902.00
	Average Cost of Supply (Paise/Kwh)	413.86	380.61

CHAPTER - 8 TARIFF ORDER

8.1 The tariff schedule as applicable to the consumers in the year 2005-06 is given at Annexure A. The Commission has also decided to give certain directives to CESC Limited on various matters, particularly concerning metering and relating to tariff. These are to be found at Annexure B. The Commission has noted that the National Electricity Policy which has come into effect from 12.02.2005 enjoins that very poor consumers who consume electricity below a specified level, say 30 units per month, should receive special support which will be at least 50% of the average (overall) cost of supply. The tariff petitioners had already submitted their respective tariff petitions before 12th February 2005 and therefore had no opportunity to submit the necessary data in their tariff petitions accordingly. Obviously, the Commission also had no opportunity to prepare any regulation for this purpose and make the same applicable to the tariff petitions for 2005-06. However, since there already is a group of consumers who consume 25 units of electricity per month, the Commission is of the considered opinion that this group can be treated for the present, as the targeted group for this purpose. An endeavour has been made to provide a reasonable tariff support to the member of this group.

8.2 The associated conditions to tariff are as follow: -

(a) For the consumers under TOD metering, the peak period energy charge will be 50% more than the normal energy charge indicated in the tariff schedule at Annexure A for the respective category of consumers. The off-peak period energy charge will be less than normal energy charge by 31% of normal energy charge of such category of consumers as indicated in the tariff schedule.

(b) Demand charge on HT industrial category of consumers shall remain unchanged and shall be levied on the basis of maximum demand recorded during the month or 75% of the contracted demand whichever is higher. In case KW demand is recorded in place of KVA demand then the demand charge rate in KVA is to be determined by considering a power factor of 0.85.

(c) Penalty clause for maximum demand (For TOD consumers)

Drawal of power in excess of sanctioned contract demand will attract the following additional charges for excess demand. This additional charge shall be in addition to the demand charges calculated as per para above for the total amount of maximum demand recorded during the billing period.

Period	Additional demand charge
During normal period (6 A.M to 5 P.M)	20% extra on the quantum of demand which is in excess of sanctioned contract load
During peak period (5 P.M to 10 P.M)	50% extra on the quantum of demand which is in excess of sanctioned contract demand
During off-peak period (10 P.M to 6 A.M of the following day)	Nothing extra upto 30% excess demand 20% extra on the quantum of demand which is in excess of 130% of the contracted demand

In case the drawal of non-TOD consumers exceed the contracted demand in any month the demand charge as specified in the tariff schedule shall be applied on recorded maximum demand for that month. In addition to this, additional demand charge in the case of non-TOD consumers shall be 50% extra on the quantum of demand by which the recorded maximum demand exceeds the contracted demand.

There will be no additional energy charge due to excess demand.

(d) The demand charge shall not be payable by any consumer for that period when load of the consumer is totally shed / interrupted because of any fault of CESC Limited or its system or due to force majeure but such exemption from demand charge shall not be available if the interruption is caused by grid failure or automatic under frequency relay tripping. This is, however, without any prejudice to any other compensation if the consumer is entitled to such compensation because of applicability of any other law or the Electricity Act 2003 or Regulations made thereunder.

(e) Minimum charges excluding meter rent, taxes, levies etc. and arrears will be as follows: -

Category of consumers	Minimum charge
(i) Domestic LT	Rs.20/- per month
(ii) LV / MV Commercial LT	Rs.60/- per month
(iii) Industrial LT	Rs.120/- per month
(iv) Domestic HT	Rs.500/-per month / KW of sanctioned load
(v) Commercial HT	Rs.1000/- per month / KW of sanctioned load

Minimum charge for DC supply will be 20% extra.

(f) For high voltage industrial supply rebates for 33 KV and 66 KV supply will remain unchanged at 4% of the energy charge and the rebate for 132 KV supply will remain unchanged at 8% of the energy charge.

(g) Rebate for Cold Storage plant meant exclusively for storing fish, sea food, potato and perishable vegetable will be 8% on the energy charge provided the payment is made within due date.

(h) Rebate for timely payment to all consumers excluding those covered by para 9.2(g) above will be 2% of the amount of the bills excluding taxes, duties, levies and arrears.

(i) In addition to rebate for timely payment as per para (h) above, a special supportive rebate of 2% will be allowed in line with National Electricity Policy for only the LT domestic consumers consuming 25 units per month or less.

(j) Delayed payment surcharge shall be 1.25% per month of the delay in payment or pro-rated for part thereof upto 3 months of delay, at 1.5% per month of delay or pro-rated for part thereof for any period beyond 3 months of delay but upto the next 3 months and at 2% per month of delay or pro-rated for part thereof beyond first 6 months of delay subject to the clause 5 for disconnection of supply under the regulation of Electricity Supply Code Regulation 2004 of WBERC. Delay in payment shall be counted from the due date of payment.

(k) DC Surcharge will be levied @ 20% on gross energy charge subject to a minimum of 60 paise / unit.

(l) The rate applicable for temporary supply will remain unchanged at 8% above the rate of supply applicable to the particular category of consumers to which the applicant seeking temporary supply belongs provided that the calculation will be based on the highest rate of such class of consumers. If there is no appropriate rate given in the tariff the rate for temporary supply will be @ Rs.5.75 / kwh. Method of calculation will be as per existing tariff

(m) There will be no change in load factor rebate / surcharge, power factor rebate / surcharge / meter rentals / testing / installation charges / disconnection and reconnection charges / fuse replacement etc.

8.3 All statutory levies like electricity duty or any other taxes, duties etc. imposed by the State Govt. / Central Govt. or any other competent authority shall be extra and not a part of the tariff as being determined hereinafter.

8.4 This tariff shall be applicable from the billing month of / pertaining to April,2005 onwards.

8.5 In addition to the tariff already fixed, CESC Limited would be further entitled to additional sums, if any, towards enhanced cost of fuel and power purchase, if any, after the date from which this tariff order takes effect. This will follow the formula for fuel and power purchase cost given at Schedule 4 of the Tariff Regulation of the Commission. It is to be noted that the formula is equally applicable if the cost of fuel and power purchase is reduced instead of enjoying an enhancement.

It is reiterated that the amount to be reimbursed in accordance with this formula, shall not exceed in any case the additional amount proportionately incurred on fuel cost and power purchase cost based on various normative parameters and limits already laid down and within the direction of the Commission. It is also stipulated that for reimbursement of any additional fuel cost, only the basic fuel cost plus applicable taxes and levies plus railway and transportation cost, wherever required, will be considered.

Any proposal for adjustment shall be subject to the approval of the Commission and once the proposal is approved, it should be reflected in the consumers' bill in a separate entry for their information. The complete details along with cost data, quantitative details and relevant information / documents duly certified by the licensee for the subject matter revisions, and thereafter duly audited for the whole year, should be submitted to the Commission for approval as directed in paragraph 5.5.

8.6 The State Govt. may require the grant of any subsidy to any consumer or any class of consumers in accordance with Section 65 of the Electricity Act 2003, in the tariff determined by the Commission in favour of CESC Limited for the year 2005-06. If any such subsidy is at all granted by the State Govt. the latter shall clearly indicate the consumer(s) on the class(es) of consumers who is / are to be subsidized and also clearly spell out the amount of subsidy. These must be communicated to CESC Limited and this Commission and the subsidy must be paid to CESC Limited in advance whereupon the tariff of such a consumer / consumers or a class of consumers or classes of consumers shall be deemed to have been reduced accordingly as will have been indicated by the State Govt. However, such a direction of the latter shall not be operative if the payment is not made in accordance with the provisions of the Electricity Act 2003 and the Regulations made thereunder and in such a case, the tariff as determined by the Commission in this tariff order shall be applicable.

8.7 CESC Limited will present to the Commission a gist of this order along with the names of at least three leading dailies (at least one of which will be in English and the rests in Bengali) within

two working days from the date of receipt of this order for approval of the Commission and on receipt of the approval shall publish the approved gist in those newspapers within five days from the date of receipt of the approval of the Commission.

8.8 The Commission has determined the tariffs for CESC Limited for the year 2005-06 in terms of the provisions of Sections 62(1), 62(3) and 64(3)(a) of the Electricity Act 2003, keeping in view simultaneously the provisions of Sections 61, 172, 173, 174 and 185 of the same, other relevant provisions of the Act, the National Policy (Policies) and the guidelines available from different Regulations applicable to determination of tariff.

Sd/- 31.03.2005

Sd/- 31.03.2005

PRITITOSH RAY
MEMBER (TECHNICAL)

S. N. GHOSH
CHAIRPERSON

DATE: 31.03.2005

ANNEXURE - A TO THE CHAPTER 8

CATEGORY		APPLICABLE RATES GROSS RATE PAISE PER UNIT
LOW AND MEDIUM VOLTAGE SUPPLIES - TARIFF STRUCTURE		
Rate G - DOMESTIC		
	First 25 Units	208.00
	Next 35 Units	264.00
	Next 40 Units	355.00
	Next 50 Units	432.00
	Next 150 Units	447.00
	Above 300 Units	535.00
Rate M - COMMERCIAL		
	First 60 Units	345.00
	Next 40 Units	365.00
	Next 50 Units	405.00
	Next 150 Units	460.00
	Above 300 Units	535.00
Rate K - INDUSTRIAL		
	First 500 Units	365.00
	Next 1500 Units	400.00
	Next 1500 Units	430.00
	Above 3500 Units	460.00
Rate P : For Approved Hospitals, Educational & Other Institutions inclusive of Government aided Schools & Hospitals		334.00
Rate L : For Private Educational Institutions and Hospitals		387.00
Rate J : LT Public Water Works		350.00
Rate C : Street Lighting		350.00
Rates for Public Bodies		388.00

CATEGORY	DEMAND CHARGES	APPLICABLE RATES (GROSS RATE PAISE PER UNIT)
HIGH VOLTAGE SUPLIES - TARIFF STRUCTURE		
Rate A : Industrial Consumers	Rs.160.00 Per Kva	366.00
Optional Time of the Day (TOD) Tariff		
	Consumption between 6 a.m. and 5 p.m.	366.00
	Consumption between 5 p.m. and 10 p.m.	549.00
	Consumption between 10 p.m. and 6 a.m.	252.54
Rate U	Public Water Works and Drainage, Pumping Stations under local authority	345.00
Optional Time of the Day (TOD) Tariff		
	Consumption between 6 a.m. and 5 p.m.	345.00
	Consumption between 5 p.m. and 10 p.m.	517.50
	Consumption between 10 p.m. and 6 a.m.	238.05
Rate B : Commercial purposes		425.00
Optional Time of the Day (TOD) Tariff		
	Consumption between 6 hours to 17 hours	425.00
	Consumption between 17 hours to 22 hours	637.50
	Consumption between 22 hours to 6 hours	293.25
Rate R : Domestic purposes		380.00
Metro Rail		396.00
Calcutta Tramways		396.00

ANNEXURE – B TO THE CHAPTER 8

DIRECTIVES TO CESC

The Commission proposes to give certain directives to CESC Limited particularly concerning metering and relating to tariff. They are as follow:

1. Optional TOD metering shall be introduced by CESC Limited for big consumers with load of 500 KVA and above. LT industries with such load and operating in two or three shifts may also be encouraged in TOD option. Those who will so opt, shall pay at normal tariff during normal time, at 50% of normal tariff during off peak period and at twice the rate of normal tariff during peak period (normal period, peak period and off peak period being defined in the same manner as is applicable to industrial consumers with TOD tariff).

2. Last year, (i.e., 2004-05), TOD metering for HT commercial consumers and HT public utility services were made optional. This year also, TOD metering for these consumers may remain optional on the same terms and conditions have been made applicable to other consumers who have opted for TOD metering.
3. CESC Limited shall write appropriately to the consumers of the abovementioned categories for whom TOD metering has been made optional, explaining to them the features of TOD metering system and encouraging them to opt for the same.
4. CESC Limited shall also submit a scheme of introducing a system of pre-paid meters to the Commission for the latter's consideration within 6 months. The scheme would form a part of the next tariff revision petition.
5. CESC Limited shall put in place accredited independent third-party meter testing arrangement in its licensed area and prepare grounds for allowing the consumers to purchase their own meters duly tested and certified by the third party testing agency. For such meters owned by the consumers, no meter rent shall be charged by the licensee.
6. CESC Limited shall submit a status report covering all the above aspects of metering, at the time of submission of the next tariff revision petition, highlighting the response pattern of the targeted consumers and pointing out the difficulties / problems as also its suggestions to solve the latter. The status report would form a part of the next tariff revision petition.
7. In terms of the provisions of the recently declared National Tariff Policy, ABT regime at the State level is to be introduced within a year. The generating companies and the distribution licensees including CESC Limited are directed to submit a report within 3 months outlining how ABT in respect of bulk exchanges among the licensees and in respect of supply to the bulk consumers with contracted demand of 5 MVA and above should be introduced. This report would also form a part of the next tariff revision petition.
8. CESC Limited is also advised to actively promote and explore the possibilities of purchase of power from renewable and non conventional sources of energy like solar, municipal wastes and cogeneration sources like steel plants, sponge iron / steel plants, coke oven complexes etc. and progress made is to be reported back to the Commission by the end of October 2005. This report should also form a part of the next tariff revision petition. In the tariff order of 2006-07 the Commission may in terms of Section 86 (1) (e) of Electricity Act 2003 specify the quantum of such energy from renewable, non-conventional or cogeneration source as a percentage of total sale of energy in the distribution licensee's licensed area. After this, each year the share of electricity from cogeneration and renewable, non-conventional energy shall be progressively increased in line with National Electricity Policy.
9. Actions towards demand side management and conservation of energy by adopting energy efficient process and by using energy efficient gadgets should be implemented with high priority.
10. Periodic energy audits shall be undertaken by all utilities and licensees immediately in their establishments like power plant substations etc. CESC Limited shall send a status report on this matter by the end of October 2005. That report should form a part of the next tariff revision petition.
11. CESC Limited should also approach its consumers, particularly bigger ones, for ensuring energy auditing and energy conservation activities.
12. CESC Limited shall organize awareness programme among its working personnel, particularly with reference to the standards of performance of the licensees and various other requirements of the Electricity Act 2003 and the Regulations thereunder since prepared by the this Commission so as to ensure that CESC Limited's own employees learn of these requirements and conduct their official business strictly in terms of the provisions of the Act and the Regulations. Emphasis must be given to redressal of consumers' complaints within given time periods in accordance with the Act and the Regulations. A status report on the matter should be submitted along with the next tariff revision petition.

13. The next tariff revision petition should also be accompanied by a report containing the results of the monitoring of cases of consumer grievances by officers not less than the level of a General Manager or his equivalent, which is required to be undertaken in terms of paragraph 4(vi) of the WBERC (Guidelines for Establishment of Forum for Redressal of Grievances of Consumer and Ombudsman) Regulation, 2003.

14. CESC Limited should prepare a five year plan with annual milestone to reduce T&D losses expeditiously. Encouraging community participation, effective enforcement, introduction of incentives for staff and consumers and technological up-gradation like reduction of LT/HT ratio and adoption of high voltage distribution system to the extent the same is cost effective should form part of the efforts to reduce the losses.

15. CESC Limited should also draw up and implement urgently a programme for increasing the awareness of the consumers of the salient features of the Electricity Act 2003 and the Regulations thereunder, particularly those that lay down the rights and the duties of the consumers as also the standards of performance of the licensees and the ways and means to redress consumer grievances. A status report on the matter indicating both quantitative and qualitative aspects should be submitted to the Commission along with the next tariff revision petition.

16. All the reports called for in this chapter are in addition to those, which are statutorily required, either by the Act, or by any of the Regulations, thereunder, or by both for the purpose of submission of tariff revision petitions.

Corrigendum to the Tariff Order dated 31.03.2005 of the Commission in respect of CESC Ltd. in TP-22/05-06

Correction of typographical errors / apparent mistakes in the Tariff Order dated 31.03.2005 in respect of CESC Ltd. for the year 2005-06.

Page No.	Nomenclature	Existing Description	Corrected Description
79	Para 8.1 7th line from the to Special support which will be at leastSpecial support tariff which will be at least
82	Para 8.2 (h), second line para 9.2(g) above para 8.2(g) above
86	Annexure - A to the Chapter 8 Heading of the second column of the Table	-----	Consumption per month (kwh)
87	Rate A : Industrial Consumers	Rs.160.00 per kva	Rs.160.00 / KVA / month

Sd/- 05.04.2005

(P. Ray)
Member (Tech)

Sd/- 05.04.2005

(S. N. Ghosh)
Chairperson

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