DPSCL TARIFF ORDER DATED 29/03/2005

ORDER

ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN

Case No. T.P. - 21/05 - 06

IN RE THE TARIFF PETITION OF DPSC 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 Electricity Regulatory Commission (Referred to as the Commission hereafter) was constituted by the State Govt. of West Bengal in the year 1999 in terms of Sec. 17 of the Electricity Regulatory Commissions Act 1998. The latter, along with some other Acts, was repealed by dint of Sec. 185 of the Electricity Act 2003, which came into force with effect from 10.06.2003. The first proviso of Sec. 82 (1) of the Electricity Act has ensured continuity of the Commission - along with that of all other State Electricity Regulatory Commissions – by laying down that the State Electricity Regulatory Commission established by a State Government under Section 17 of the Electricity Regulatory Commissions Act 1998 (and some other enactments), and functioning as such immediately before the appointed date shall be the State Commission for the purposes of the Electricity Act 2003.

1.2 The functions of a State Commission have been specified in Section 86 of the Electricity Act 2003. Of its many functions, a State Commission has to discharge the function of determination of tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State. Further, Section 62 (1) of the Act also requires the appropriate Commission to determine the tariff in accordance with the provisions of this Act for supply of electricity by a generating company to a distribution licensee, for transmission of electricity, for wheeling of electricity as also for retail sale of electricity.

1.3 The Commission, therefore, has 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 by the Commission u/s 29 of the Electricity Regulatory Commissions Act 1998.

1.4 D.P.S.C. Ltd. is a power utility in the State of West Bengal engaged in generation and distribution of electricity in Ranigunj - Asansole belt of the State. It has become a deemed licensee in term of the first proviso to Sec. 14 of the Act. Its operational area is spread over an area of 618 square k.m. A major part of the operational area of DPSC Ltd. falls under DVC command area. Sale of power by DPSC Ltd. is between 600 volts and 11 kV, but predominantly at 11kV.

1.5 It supplies power to 367 consumers, of whom Eastern Coalfields is a major one.

1.6 The Commission has already passed five tariff orders in favour of Dishergarh Power Supply Corporation Ltd., the name by which DPSC Ltd. was earlier known. These were orders that determined tariff for the years 2000-01, 2001-02m 2002-03, 2003-04 and 2004-05 respectively.

1.7 One tariff petition for 2005-06 was filed by DPSC Ltd. on 24.12.04 in terms of Section 64 of the Electricity Act read with Chapter III of the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2003. The said petition however lacked several important information/data. The Commission therefore proceeded to give a hearing to the tariff petitioner under Section 64 (3)(b) of the Act. The hearing was held on 03.01.05. After giving the hearing, the Commission concluded that absence of the information/data had rendered the petition inaccurate and inappropriate to a significant extent. The Commission therefore rejected the said tariff petition, and directed DPSC Ltd to submit a fresh tariff petition, containing all the relevant information particularly those that had not been furnished in the rejected petition in the prescribed formats, within 10.01.05. This was communicated to DPSC Ltd. – as also their authorities – vide this Commission’s letter no. WBERC/TP-21/05-06/DPSCL/1488 dated 04.01.05.

1.8 DPSC Ltd. submitted, accordingly, a fresh tariff petition for the year 2005-06 to the Commission on 07.01.05. This fresh tariff petition was admitted by the Commission and was numbered as No. TP-21/05-06.

1.9 DPSC Ltd. was thereafter directed to publish, as required u/s 64 (2) of the Act, the gist of the tariff petition, as approved by the Commission in 4 dailies simultaneously by 14.01.05 at the latest. Of the 4 dailies, one was to be a Bengali and another an English newspaper of Kolkata having wide circulation. Two others were to be in local dailies having readership predominantly in Dishergarh-Sanctoria area and enjoying high circulation. Further, one was to be a Hindi newspaper and the other a Bengali newspaper fitting the foregoing description. The insertions in these newspapers were to draw the attention of all stakeholders and members of the public to the gist of the proposed tariff of DPSC Ltd., inform them that they could inspect the tariff petition at specified offices within 28 days from the date of publication of the gist, take copies of the petition from the office of the Commission as also submit their objections / comments etc. to the Commission within 30 days from the date of publication of the gist.

1.10 The gist of the tariff petition was published in the Statesman and Bartaman as also in Prabhat Khabar and Dainik Lipi of Asansole on 14.01.2004. By 14.02.2005, only one set of objections / comments was received by the Commission. The objections / comments came from the West Bengal State Electricity Board. These have been dealt with in Chapter 3 of this order.

1.11 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. Aloke 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 DPSC Limited for the year 2005 – 2006.

CHAPTER – 2

THE CASE OF DPSC LIMITED

2.1 As already noted, DPSC Limited engaged in the business of both generation and distribution of electricity in Ranigunj – Asansol belt of West Bengal, has become a Licensee, since the coming into force of the Electricity Act, 2003. Due to the facts that the licensed area of DPSC Limited fell within the command area of the DVC and that the DVC Act put certain restrictions on the operation of DPSC Limited, the transmission and distribution voltage of the latter is 11 KV. The bulk of its supplies is at 11 KV, and there is a small amount of supplies at lower voltages. The consumer base of DPSC Limited comprises mainly of coal mines, cement plants, steel foundries and rolling mills, some medium and small sized industries, supplies to public utility services like water works and to the WBSEB.

2.2 The effective generation capacity of DPSC Limited currently stands at 42.2 MW. In the late 1980's, Eastern Coalfields Limited, the biggest consumer of DPSC Limited had financed setting up of a 2 x 10 MW Thermal Power Station at Chinakuri whose operating lease for an initial period of 20 years was given in favour of DPSC Limited. Later, the latter installed an additional 10 MW turbine generator at its own cost, so as to utilize the spare steaming capacity of the boilers already installed at Chinakuri. DPSC Limited already had its thermal power station at Dishergarh, whose present derated capacity is 6 MW. But the same is not being operated from August 2003 because of its uneconomic cost of generation.

2.3 Since the coming into force of the Electricity Act, 2003, DPSC Limited has ventured to set up 132 / 33 KV substation. The objective of this venture on the transmission and distribution front was to source power from DVC, establishing an access to the national grid, upgradation of the transmission voltage to 33 KV and supply power at 33 KV to those consumers who might ask for the same. On the generation front, DPSC Limited has a proposal to modify the steam generators at Dishergarh to fluidized bed boilers, which would enable it to use cheaper and lower grade coal. It also plans to modify the plants and equipments at Chinakuri and Dishergarh aiming at reduction of auxiliary consumption and improvement of operating efficiencies.

2.4 In its tariff petition, DPSC Limited has submitted its expected revenue requirement for 2005 – 2006 in the prescribed Revenue Requirement Form along with its annexure, as laid down in the Commission's Conduct of Business Regulations. The principal items in the revenue requirement are: -

(a) All costs relating to purchase of electricity from DVC and its own generation, including cost of losses till the point of delivery;

(b) Costs relating to transmission and distribution system;

(c) Administrative and management expenses;

(d) Interest liability on all borrowings;

(e) Other costs / duties / charges levied by the suppliers of electricity (as a pass through);

(f) Depreciation as provided for under paragraph 4(II)(viii) of Schedule 1 of the WBERC (Tariff) Regulations, 2003 (which is without any claim of depreciation for Sheebpore Thermal Power Station and for the building of the tariff petitioner at Salt Lake);

(g) Special appropriations to realize under-recovery of fixed costs as approved by the Commission for 2003 – 2004 (which is without any claim towards contingency reserve); and

(h) Reasonable return with the prayer that such reasonable return should also be permitted on the free reserves already invested in business.

2.5 The tariff petitioner has submitted that due to present constraints on the transmission network front which prevents it from sourcing power from alternative sources, it has to continue its present arrangement of purchasing power from DVC at 33 KV, and that this will continue till its proposed 132 KV / 33 KV substation is commissioned.

2.6 DPSC limited has stated that it has fully taken care of all tariff filing requirements as laid down in the concerned Regulations of the Commission, and has submitted the necessary audited data pertaining to 2003 – 2004, all estimated data for 2004 – 2005 and the projected data for 2005 – 2006 in appropriate formats wherever called for.

2.7 The tariff petitioner has submitted that at the current rates of tariff, it will not be possible at all even to cover its estimated costs, not to talk of the reasonable returns and special appropriations. The tariff petitioner has made out a case for an increase in its average tariff for

2005 – 2006 to the extent of paise 31.14 / Kwh sold, net of rebates. This works out to an average increase of 20% over the prevailing tariff rates.

2.8 DPSC Limited has come up with adjusted sales figures for 2003 – 2004, estimated figures for the same for 2004 – 2005 and projected figures for the same for 2005 – 2006. In terms of a direction of the Commission, given in the tariff order for 2004 – 2005, the petitioner has excluded from the sale of energy and cost of energy purchase, the value of electricity injected by the WBSEB into DPSC Limited's system for wheeling to its off-take points located across the licensed area of DPSC Limited. Adjusted in terms of this direction, the estimated sale figure for 2003 – 2004 comes to 760 MU. Against that, the actual sales was of the order of 757 MU, sales in 2004 – 2005 is now estimated at 783 MU, while the projected sales in 2005 – 2006 is 798 MU. The estimated sales revenue in 2005 – 2006, based on the current tariff rates, would be of the order of Rs. 24762.03 lakhs against a revenue requirement of Rs. 27246.47 lakhs. The major components of its revenue requirement calculation for 2005 – 2006, according to the tariff petitioner, are the estimated cost of sale of energy amounting to Rs. 26741.06 lakhs, a reasonable return amounting to Rs. 841.47 lakhs, and a special appropriation amounting to Rs. 46.81 lakhs, the cost of which gets adjusted with a miscellaneous receipt of Rs. 382.87 lakhs. Thus, the revenue requirement falls short of the expected revenue. The tariff petitioner has therefore concluded that the gap between the two i.e., Rs. 2484.44 lakhs would need to be recovered by an increase in tariff in 2005 – 2006, and based on the projected sale of 798 MU, the average tariff revision, according to the petitioner, comes to paise 31.14 / Kwh sold, net of rebates.

2.9 The tariff petitioner has referred to the various directions as also the suggestions for improvement of performance of DPSC Limited given by the Commission, and also the details of different aspects of the business of the petitioner, which have been sought for by the Commission in the earlier tariff orders, and has stated that it has summarized its efforts to comply with those directions of the Commission in Appendix G of the instant tariff petition.

2.10 It has also stated that it has duly constituted a grievance redressal system as stipulated by the WBERC (Guidelines for Establishment of Forum for Redressal of Grievances of Consumer and Ombudsman), Regulations, 2003 and as directed by the Commission. However, the tariff petitioner has informed that no consumer has, till the date of submission of the tariff petition, taken recourse to the grievance redressal procedure since all disputes have been resolved at the departmental level itself.

2.11 In conclusion, the tariff petitioner has prayed for confirmation of the revenue requirement for 2005 – 2006, including the reasonable return and special appropriation claims on the basis of the forms, annexures and submissions made in volumes 2 and 3 of the petition, approval of the Schedule of Rates in Form 3, grant of an increase of tariff in accordance with the above submissions, approve the capital expenditure plan for the year 2005 – 2006 and permit the proposed tariffs to be increased with effect from April 2005.

CHAPTER - 3

OBJECTIONS

Objections against the Tariff Petition of DPSC Limited (2005 - 2006)

3.1 A notification dated 14th January 2005 was issued by the Disergarh Power Supply Corporation Limited (DPSCL) as per direction of the West Bengal Electricity Regulatory Commission, providing the gist of the tariff petition for the financial year 2005 – 2006 of the DPSCL and seeking objections etc., if any, against the said Tariff Petition from all interested parties within a given time. The notification was published in 4 (four) leading dailies of Kolkata. In response to the above said notification, only one objector i.e., the West Bengal State Electricity Board (WBSEB) has submitted its objection in writing to the Commission within the stipulated period. The objections of this objector is briefly discussed below:

3.2 A number of objections have been recorded by West Bengal State Electricity Board (i.e. WBSEB), which is a statutory body constituted in term of Sec. 5 of the Electricity (Supply) Act, 1948 and now a deemed Licensee under the Electricity Act, 2003. WBSEB has been purchasing electricity from DPSCL around 40 MVA at 11 KV on radial mode at different off-take points for supply of power at low and medium voltage in and around Asansole, consequent upon revocation of licence of the Licensees by the Government of West Bengal as per decision of the Power Department, Government of West Bengal till March 2000 and thereafter in terms of Order dated 3rd June 2004 issued by the Commission.

3.3 WBSEB has prayed that the Commission should fix tariff for DPSCL for supply of power to WBSEB at the trading rate of 207 paise / Kwh. In this context, they have submitted that they are also supplying power to DPSCL at 33 KV at Bankola and in terms of Order No. 714/Power/II/KR-56/95 dated 28th November 1996 issued by the Power Department, Government of West Bengal, the power and energy supplied by the WBSEB to the DPSCL at 33 KV at Bankola are being off-set with the power and energy being supplied by DPSCL to WBSEB at 11 KV at Asansol and that the DPSCL is only charging the tariff payable for the net drawal by WBSEB at an uniform tariff of 303 paise / Kwh.
They have further stated that in terms of para 15.6, page 69 of the order of the Commission dated 3rd June 2004, the DPSCL has proposed to bill WBSEB wheeling charges and T&D loss for supply of power to WBSEB wheeled through their network at the rate of 5.74% on DVC purchase rate. WBSEB have submitted that as per the arrangement made by the Power Department, Government of West Bengal, since April 1995, DPSCL have been billing to WBSEB for supply of power at 11 KV at Asansol after off-setting the energy they received from the WBSEB at 33 KV at Bankola. This supply has been traditionally on radial mode and hence there was no concept of wheeling charges and the same was also not envisaged by the Government of West Bengal. WBSEB has also stated that the concept of wheeling charges may not hold good considering the fact WBSEB is also supplying power to DPSCL at Bankola through WBSEB’s network for which DPSCL is not paying any wheeling charges to WBSEB.

3.4 WBSEB has further prayed that DPSCL is selling energy to WBSEB at 11 KV at different off-take point for distribution of the same by WBSEB to its local consumers at Asansole at low and medium voltage, and has also pointed out that the Commission has considered this supply as trading at the rate of 303 paise / Kwh in its Order dated 3rd June 2004. But in the Order dated 9th June 2004 issued by the Commission in respect of WBSEB, the trading rate has been fixed at 207 paise / Kwh and 30% extra for supply of power to CESC, DPL, DPSCL and other urban licensees which comes to 269 paise / Kwh.

3.5 WBSEB further submitted that considering the fact that the energy being purchased by WBSEB from DPSCL at different off-take points are redistributed to the local consumers at low and medium voltage, the Commission should treat this supply as trading and fix the rate for sale of energy by DPSCL to WBSEB at 207 paise / Kwh.

3.6 The Commission has taken note of the objections / comments given by WBSEB and has carefully considered them. Acceptance of these objections / comments by the Commission are reflected in the tariff order.

CHAPTER – 4

SALES & ENERGY BALANCE

4.1 DPSC Limited is a Distribution Licensee. The operations of DPSC Limited are spread over an area of 618 square kilometers with consumer base of 387 only. Part of the energy requirement of the Utility comes from its two generating stations presently in operation, i.e., Dishergarh and Chinakuri. Dishergarh Power Station is of more than 40 years old with derated capacity of 12.2 MW. The installed capacity of Chinakuri Power Station is 3 x 10 MW out of which 2 x 10 MW are under the operation lease from the Eastern Coal Limited (ECL). Total projected generation and net energy sent out ex-bus from these two power stations during the financial year 2005 – 2006 have been projected to be 253.72 MU and 229.97 MU respectively. The net sent out ex-bus generation from these power stations comes to around 27% of the projected energy requirement of DPSC Limited. The balance energy has been proposed to be met by purchase of power from the DVC. The energy balance projected by DPSC Limited for the year 2005 – 2006 is as under:

		In Million Units
Own Generation :		
Dishergarh (PLF 43.3%)		45.60
Chinakuri (PLF 79.1%)		208.12
		253.72
Less : Auxiliary Consumption :		
Dishergarh (11.00%)	5.02	
Chinakuri (9.00%)	18.73	23.75
Net Energy sent out Ex-bus		229.97
Purchase from DVC		622.94
Total Energy Ex-bus		852.91
Less : In-house consumption at		
Substation & colony	3.79	
T&D Loss on WBSEB power To be wheeled (5.74% of 45 MU)	2.58	6.37
Energy available for Sale		846.54
Less : T&D Loss (@5.74%)		48.60
Projected sale of Energy		797.94

4.2 WBSEB purchases power from DPSC Limited at 11 KV at 18 locations. WBSEB also supplies power to DPSC Limited at 33 KV at Bankola. DPSC Limited have been raising electricity bill to WBSEB on account of the sale of power after off-setting the quantum of power supplied by WBSEB to them. It has been clarified by DPSC Limited that it has not included this time the energy injection by WBSEB either in purchase or sale, in the petition (vide para 12.5 in Volume II) and the same has been treated as wheeled energy through its net work for which, the charges have been proposed to be recovered.

4.3 All the items show in the projected Energy Balance have been viewed by the Commission and decisions are recorded hereunder. We shall start our examination from projected sales as the power purchase requirement of a Distribution Licensee, after adjustment of sent out power from own sources, depends on proper estimation of sales.

(a) Projected Sales:

Total sale of energy during the year 2005 – 2006 has been projected to be 797.94 Million Units and the projection is said to have been done on the CAGR trend of sales for each category of consumers since 2001 – 2002 and an estimated sales for 2004 – 2005. Category wise break-up of sales has been given as under:

	Million Units
WBSEB (net of set off)	161.99
Public Sector Undertakings	10.42
Irrigation	0.01
Class A	618.19
Class B	7.33
Total	797.94

We get from the petition of WBSEB that its net drawal of power from DPSC Limited during 2005 – 2006 will be only 90.00 MU as against estimated such drawal of 160.80 MU during 2004 – 2005.

Such reduction in the drawal of energy from DPSC Limited is due to commissioning of a EHV sub-station by it at Asansol by June 2005. The sales projections made by DPSC Limited for other categories are accepted by the Commission. But for WBSEB, Commission will go by the estimation made by WBSEB as they are the recipients of the energy from DPSC Limited. The estimated sales of DPSC Limited has been considered to be 725.95 MU. Such reduction in the sales target will result in the recovery of fixed charges at a rate higher than the rate proposed by DPSC Limited. We, therefore, make it clear at this stage that if actual sale of DPSC Limited during 2005 – 2006 exceeds the considered sale of 725.95 MU, the excess recovery of fixed charges by DPSC Limited will be adjusted with the claims of DPSC Limited towards FPPCA or any other claims of Revenue requirements.

(b) Own Consumption:

DPSC Limited claimed 3.79 MU as in-house consumption in their sub-stations and colonies. Such claim has been kept at par with the quantum allowed by the Commission in the previous year. We decide to keep such consumption at the same level.

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

DPSC Limited projected T&D loss as 5.74% for the year 2005 – 2006 in the light of its actual performance in 2003 – 2004 and expected performance in 2004 – 2005. It has been highlighted that during the energy audit conducted by the National Productivity Council (NPC), the T & D Loss was assessed at the level of 6.21%. DPSC Limited attributes the improvement over the assessment made by NPC mainly to the replacement of electro-magnetic consumers' meters by static electronic meters. We agree to the rate of T&D loss as projected by DPSC Limited.

The total energy requirement at the distribution bus will thus comes as under:

	Million Units
i) Sales	725.95
ii) Own Consumption	3.79
Total	729.74
iii) T&D Loss 729.74 x 5.74 / (100 - 5.74)	44.44
	774.18

(d) We shall now examine the proposed supply side of energy, i.e. (i) sent-out power to be generated from own sources and (ii) purchase from DVC.

i) Sent out Energy from own sources:

As stated in para 4.1, DPSC Limited own Dishergarh Power Station with derated capacity of 12.20 MW and 3 x 10 MW capacity at Chinakuri, out of which, 2 x 10 MW capacity is under the operation lease from ECL. The sent out energy from these two power stations have been projected as under:

	Dishergarh (MU)	**Chinakuri (MU)**	**Total (MU)**
Gross Generation	45.600 (PLF - 43.3%)	208.120 (PLF - 79.1%)	253.72 (Average PLF - 68.1%)
Less : Auxiliary Consumption	5.020 (11%)	18.730 (9.00%)	23.75
Net Energy Sentout	40.580	189.390	229.970

It has been highlighted by the Utility that the Dishergarh Power Station is more than 40 years old and is being put on operation especially during peak hours due to higher rate of fuel cost. The generation at the Chinakuri Power Station is intended to be maintained at the same level as the one that was approved by the Commission for 2004 – 2005, which when adjusted for down time for statutory maintenance, works out to an average PLF of 85%. It has also been highlighted by the Utility that due to the requirement of maintaining a high contract demand for power purchase in order to meet peak system demand, generation at Chinakuri needs to be necessarily scaled down during lean hours in order to maintain the load factor necessary to avoid payment of Minimum Guaranteed Energy charges on power imports from DVC. This factor restricts the operation of maintaining a higher PLF at Chinakuri. Considering the above justifications advanced by the Utility, the Commission agrees with the generation as projected by it. So far as the rates of Auxiliary consumption are concerned, the Utility kept it at the level of 9% at Chinakuri Power Station as determined by the Commission in the previous Tariff Orders. The Central Electricity Authority (CEA), in its report after conducting Energy Audit at Chinakuri, recommended a normative Auxiliary Consumption of the Station at 10%. DPSC Limited, however, expect an improvement over the rate assessed by the CEA by implementing certain corrective measures. In view of the old technology and vintage of the station at Dishergarh, which is more than 40 years old, the auxiliary consumption of the Dishergarh Power Station could not be brought down below 11% in spite of implementing some measures recommended by the CEA. It has also been highlighted by the Utility that Dishergarh Power Station is normally being run as a peak load station. Hence, the scope of proportionate reduction in the auxiliary consumption commensurate with the reduced generation of the station is limited. DPSC Limited, therefore, prayed for being allowed 11% auxiliary consumption at Dishergarh as against 10.5% allowed in the earlier year. In view of the position clarified by the Utility, we accept the prayer of 11% auxiliary consumption at Dishergarh Power Station. The net sent out energy from the generation, thus, comes to 229.970 MU as projected by DPSC Limited.

ii) Purchase of Power:

DPSC Limited is to meet the gap between the assessed total energy requirement and net sent out energy from own generation by purchasing energy from DVC. In its Tariff Orders for earlier years, the Commission directed DPSC Limited to explore the possibility of sourcing its energy requirements, over and above that available from its own generation, from alternative cheaper sources. In this regard, it has been explained by the Utility that under the provisions of the Electricity Act, 2003, the restrictions imposed by the DVC Act, 1948, for transmission of energy in DPSC Limited’s licensed area at voltages higher than 30 KV has ceased to apply and it is now free to augment its transmission voltage to 33 KV and above. The possibility of importing energy from sources other than DVC at cheaper rate has brightened up. But necessary augmentation of the transmission network is bound to take some time, and hence DPSC Limited continues to be dependent on DVC for meeting its balance energy requirements for the present.

4.4 Energy Balance:

Based on the analysis done and our decisions recorded in the earlier paragraphs, we now present the Statement of Energy Balance for DPSC Limited for the year 2005 – 2006 as under:

STATEMENT OF ENERGY BALANCE		
		Million Units
	Energy Requirement :	
i)	Sales	725.95
ii)	Own consumption	3.79
	Total	729.74
iii)	T&D Loss $\frac{729.74 \times 5.74}{(100 - 5.74)}$	44.44
	Total	**774.18**
	Energy Sources	

i)	Gross own Genertion Less : Auxiliary Consumption Net Sent-out power from own Generation	253.72 23.75 229.97
iii)	Purchase from DVC (Balancing figure)	544.21
	Total	**774.18**

CHAPTER – 5

VARIABLE COST

5.1 The variable costs of DPSC Limited are Fuel Cost and Purchase Cost. In the Thermal Power Stations of DPSC Limited, the secondary fuel, i.e., oil is not used and hence, the fuel cost is only the cost of coal.

5.2 Fuel Cost:

Based on the data submitted by DPSC Limited, we are working out the cost of fuel to be allowed to DPSC Limited. A station wise computation is presented hereunder.

COMPUTATION OF THE COST OF FUEL (COAL)				
Sl. No.	**Particulars**	**Unit**	**Dishergarh**	**Chinakuri**
1.	Generation	MU	45.600	208.120
2.	Auxiliary Consumption	MU	5.016 (11%)	18.731 (9%)
3.	Sent-out Energy (1-2)	MU	40.584	189.389
4.	Station Heat Rate	K.Cal/Kwh	6050	3888
5.	Total Heat Required (1x4)	MK.Cal/Kwh	275880.00	809170.56
6.	GCV of Coal	K.Cal/Kg	5673.80	5685.09
7.	Coal consumption (5/6x1000)	MT	48623.50	142332.58
8.	Average price of Coal	Rs.MT	2287.13	2278.98
9.	Cost of Coal (7x8)	Rs. Lakhs	1112.08	3243.73
10.	Average cost of Coal per unit of Sent-out Energy (9/3)	Paise/Kwh	274.02	171.27

5.3 Above computations of fuel (Coal) cost are based on consideration of under noted factors:

i) Station Heat Rate:

DPSC Limited got an Energy Audit in its power plants done by the Central Electricity Authority (CEA) in 2003. The station Heat Rates arrived at by the CEA for Dishergarh Power Station and Chinakuri Power Station are 6050 K.Cal/Kwh and 3888 K.Cal/Kwh respectively. The total heat required in the concerned power stations has been worked out accordingly.

ii) Gross Calorific Value (GCV) of Coal:

GCV is a variable factor for assessing the quantity of coal required for consumption and depends on the grade mix to be used in the power stations. In their petitions, DPSC Limited projected that 12.30% of the coal requirement at Dishergarh will be of A grade and balance 87.70% will be of B grade. Such grade mix at Chinakuri will be 19.67% A, 75.34% B and rest 4.99% of C grade.

Taking the minimum declared heat value of each grade, the average GCV of Coal at the power stations comes as under

Dishergarh				Chinakuri			
Grade	%	Minimum GCV K.Cal/Kg	Product	Grade	%	Minimum GCV K.Cal/Kg	Product
A	12.30	6200	76260	A	19.67	6200	121954
B	87.70	5600	491120	B	75.34	5600	421904
C	--	--		C	4.99	4940	24650.60
Total	100.00		5673.80	Total	100.00		568508.60
Average			5673.80	Average			5685.09

DPSC limited pointed out that the actual GCV of coal it is using is coming much below the declared minimum heat rate of grade mix. We urge DPSC Limited to take up the matter relating to grade slippage of coal with the suppliers so as to ensure the proper receipt of the quality of coal for which payments are being made. The burden of grade slippage should not be passed on to their consumers, which include the coal suppliers themselves.

iii) Average price of Coal:

The average prices of the Coal per MT at the power stations are worked out as under:

Particulars	Consumption (MT)	Price per MT	Product
Dishergarh			
A Grade (12.30%)	5980.69	2285.06	13666235
B Grade (87.70%)	42642.81	2156.31	91951118
Total	48623.50		105617353
Average (Rs. per MT)			2172.15
Average transportation charges (as claimed) (Rs. per MT)			114.98
Total Price (Rs. per MT)			2287.13
Chinakuri			
A Grade (19.67%)	27996.82	2285.06	63974414
B Grade (75.34%)	107233.36	2156.31	231228367
C Grade (4.99%)	7102.40	1897.78	13478793
Total	142332.58		308681574
Average (Rs. per MT)			2168.73
Average transportation charges (as claimed) (Rs. per MT)			110.25
Total Price (Rs. per MT)			2278.98

5.4 The total cost, thus, we admit for DPSC Limited for the year 2005 – 2006 comes to Rs. 4355.81 lakhs as against Rs. 4532.12 lakhs claimed by them.

5.5 Purchase Cost:

In the statement under paragraph 4.3, we assessed the purchase requirement of power as 544.21 MU and also stated that the entire quantity of such purchased energy will come from DVC. The average cost of per unit (Kwh) purchase from DVC, as the computation provided by DPSC Limited, comes to 291.83 paise. Therefore, the total purchase cost of 544.21 MU works out to Rs. 15881.68 lakhs.

5.6 It has been stated by DPSC Limited (vide para 11.1 in Volume I) that it is considering the feasibility of converting the operational boilers at Dishergarh to CFBC Boilers with grit re-firing system in a phased manner so as to reduce the variable cost of the generation, since such conversion will enable the use of lower grade coal. In case such feasibility study is not found economical, DPSC Limited intends to take a decision on closing down the power station in 2005 – 2006. With reference to our computation given in paragraph 5.2, we would like to point out that fuel cost per unit of sent-out power from Dishergarh Power Station is coming to 274.02 paise / Kwh as against unit import cost of energy from DVC @ 291.83 paise / Kwh. We feel that the decision to close down the operation of Dishergarh Power Station should be taken keeping the marginal cost concept in view and the feasibility of having alternative cheaper source of supply in the near future.

5.7 Fuel & Power Purchase Cost Adjustment (FPPCA):

The fuel and power purchase costs allowed by the Commission in any tariff order is subject to adjustment. Such adjustments are usually allowed at the end of every six months period. However, in the present case, the Commission proposes to vary the periodicity of such adjustments in consumers' interest having regard to the fact that there already has taken place, in the middle of 2004 – 2005, a sharp rise in the price of coal. It is anticipated that this will result in a significant upward adjustment of tariff through FPPCA route. In the considered opinion of the Commission, such steep rise of tariff through FPPCA should best be avoided as far as possible. Because such a rise, taking place between tariff orders, makes all planning and budgeting by consumers go awry.

5.8 The Commission is of its considered opinion that it may still be possible to mitigate, at least to certain extent, the ill effects of the likely upward adjustment of fuel cost, if the licensees / generating companies can increase their operational efficiency thereby reducing consumption of fuel, etc. But this is possible only if some time is allowed to them.

5.9 In consideration of the above-mentioned facts, the Commission directs the tariff petitioner to submit its FPPCA petition for 2004 – 2005 along with the FPPCA petition for 2005 – 2006, supported duly by the annual audited accounts of those two years and also by the complete details of the cost data and other relevant details / information / documents. These FPPCA petitions would be put in the form prescribed in Schedule 4 of the Tariff Regulation, 2003. These petitions should be submitted separately, one for each of the years in question, but simultaneously. Needless to add, but we must emphasize it repeatedly, that the tariff petitioner must try its level best to improve upon its all round efficiency, particularly on the front of fuel consumption.

CHAPTER – 6

FIXED CHARGES

5.1 The variable cost comprises of Fuel Cost for generation at own power station and the purchase cost. As projected, DPL will not be required to purchase any power from outside source. We now work out the allowable fuel cost to DPL for the year 2005 – 2006 in a tabular form in the next paragraph with appropriate explanatory notes.

6.1 In this part of our order, we are to examine the projected fixed charges claimed by DPSC Limited for the year 2005 – 2006 under different accounts. The components of the total fixed charges are:

i) Operation and Maintenance Expenses,

ii) Depreciation,

iii) Financing charges comprising of (a) Interest on Loan Capital and (b) Interest on Working Capital.

iv) Reasonable Returns.

We shall take up our analysis of each of the above components to record the extent of their admissibility.

6.2 Operation and Maintenance Expenses:
Operation and Maintenance Expenses comprise of the expenses under the following heads of accounts.

(a) Employees cost:

The Employees' cost claimed by DPSC Limited for the year 2005 – 2006 is Rs. 1693.83 lakhs. As detailed analysis provided in paragraphs 13.12, 14.4, 21.3 and 21.4 in Volume II of their Tariff petition, the function wise break-up of the amount claimed comes as under:

	Rs. in Lakh
Generation	709.84
Transmission & Distribution	494.92
Non-operational staff	281.92
Head Office and Central Office	207.15
Total	1693.83

The above amount of claim includes Rs. 50.58 lakhs on account of sums payable towards arrears on settlement of wage agreement with the staff pending since 2002 – 2003. Provisions of such arrear payments were taken into consideration in the previous year's tariff order. We are, therefore, not allowing afresh the amount of Rs. 50.58 lakhs in the year 2005 – 2006; that amount is required to be made available out of the amount of Employees' cost allowed for the year 2004 – 2005. As per the revised estimations made by DPSC Limited in regard to employees' cost for the previous year the total amount come to Rs. 1519.46 lakhs. We allow average 5% increase over that amount for the year 2005-2006 and the allowable amount comes to Rs. 1595.43 lakhs.

(b) Repairs & Maintenance Charges:

The Repairs & Maintenance charges including the cost of consumables claimed by DPSC Limited come as under:

Sl. No.	**Particulars**	**Generation**	**Transmission & Distribution**	**Others**	**Total**
i)	Building & Civil Works	24.88	10.17	49.88	84.93
ii)	Plant & Machinery	112.65	171.51	3.95	288.11
iii)	Others	6.74	11.78	13.24	31.76
iv)	Consumable stores	47.69	1.10	--	48.79
v)	Water charges	14.93	--	--	14.93
	Total	206.89	194.56	67.07	468.52

The amount claimed is approximately 7.68% higher than the actual amount spent towards Repairs & Maintenance during 2003 – 2004. Considering the vintage of the power station at Dishergarh and the colonies around it, we admit the amount claimed by the tariff petitioner.

(c) Coal & Ash Handling Charges:

Total amount claimed on this account is Rs. 67.16 lakhs as against Rs. 83.93 lakhs spent in the year 2003 – 2004 and estimated expenditure of Rs. 74.17 lakhs during 2004 – 2005. Coal handling charges are for manual sizing, screening for stones / shale / boulders, collection and stacking of overspill from conveyors etc. The Utility has been able to reduce expenses towards Ash handling by the handling contract. We agree to allow the amount asked for on this account. We want to make it clear that such Ash and Coal Handling charges should not be added to the cost of fuel for claiming future Fuel Cost Adjustment and should be treated as part of the Fixed charges.

(d) Rent, Rates & Taxes, Legal Charges and Audit Fees:

The expenditures projected by DPSC Limited under the above heads of accounts for the year 2005 – 2006 are being accepted by us. Such expenses are as under:

	Rs. in Lakhs
i) Rent, Rates & Taxes	22.25
ii) Legal Charges	12.00
iii) Audit Fees	11.20
Total	45.45

Such projected expenses are less than the actual amount spent during 2003 – 2004 as per the audited accounts.

(e) Lease Rental:

2 x 10 MW generators at Chinakuri Power Station are being operated by DPSC Limited under the operation lease from the ECL. The amount of Rs. 350.00 lakhs payable to the ECL as Lease Rental and claimed by the Utility has been agreed by us.

(f) Other Administration & General Charges:

Other Administration and General charges projected by DPSC Limited are under the following heads:

	Rs. in Lakhs
i) T.A.	43.80
ii) Insurance	21.71
iii) Consultancy	35.00
iv) Directors' Fees	2.54
v) Other Administrative Expenses	380.76
Total	483.81

As we see from their submission, the actual expenditures incurred under the referred heads of accounts during 2003 – 2004 was Rs. 640.07 lakhs and estimated expenditure during 2004 – 2005 is Rs. 562.85 lakhs. We allow the amount claimed but think that there is further scope for DPSC Limited to bring down the expenses under these heads.

6.3 Depreciation:

6.3.1 Depreciation charges for the year 2005 – 2006 has been claimed for an amount of Rs. 744.33 lakhs. This amount is said to have been worked out as per the provision of Companies Act, 1956 in terms of paragraph (II) (viii) of Schedule – I of the Commission's Tariff Regulation, 2003. It has also been stated in para 20.4 (page 92) in Volume II of the Tariff Petition that depreciation on Electrical Plants, Transformers, Switch Gears etc. has been worked out at Straight Line Method @ 13.91%. Here we are to refer Schedule XIV to Companies Act, 1956 and to point out that the general rate of depreciation of 13.91% on Plant and Machinery is not under the Straight Line

Method but under Written Down Value Method. The rate under the Straight Line Method for such assets has been prescribed 4.75% for Single Shift Operations. However, as the power plants are required and designed technically to operate 24 hours a day, the rate of depreciation for such continuous process plants under the Straight Line Method is 5.28% without any extra shift depreciation.

6.3.2 We shall, therefore, disallow excess depreciation claimed by DPSC Limited on power plants, Transformers and Switch Gears. The amount of disallowances is worked out as under:

						Rs. in Lakhs
Sl. No.	**Asset**	**Gross Block at the beginning of year**	**Net Addition / Deletion during the year**	**Depreciation @13.91%**	**Depreciation @5.28%**	**Amount Disallowed**
1.	Plant & Machinery					
	a) Generation	2213.23	247.03			
	b) Distribution	7.88	--			
	c) Others	117.79	43.00			
	Total :	2338.90	290.03	345.50	131.15	214.36
2.	Switch Gear					
	a) Generation	23.05	--			
	b) Distribution	940.82	400.16			
	Total :	963.87	400.16	161.90	61.45	100.46
3.	Transformer					
	a) Generation	11.93	--			
	b) Distribution	605.67	--			
	Total :	617.60	--	85.91	32.61	53.30
	Total					368.12

6.3.3 Depreciation, thus, we allow for the year 2005 – 2006 comes as under:

	Rs. in Lakhs
Amount Claimed	744.33
Less : I) Excess claimed for 2005-2006 as per Computation shown under sub-para (ii)	368.12
Depreciation allowed to be charges in the year 2005-2006	376.21

6.4 Interest & Finance Charges:

Interest & Finance charges claimed by DPSC Limited for the year 2005 – 2006 are as under:

	Rs. in Lakhs
i) On Capital Borrowing	43.92
ii) On working capital	122.32

iii) Interest on consumers' Security Deposit	10.00
Total	176.24

On outstanding borrowings on Capital Accounts at the beginning of the year has been estimated to be Rs. 500.00 lakhs out of which, Rs. 300.00 lakhs are due for refund during the year. The interest payable on this accounts works out to Rs. 43.92 lakhs @ 13.75%. The working capital loans will be on cash credit from Banks. The Interest and Finance charges claimed by the tariff petitioner are found justifiable and thus admitted by us.

6.5 Reasonable Returns:

6.5.1 DPSC Limited requested for allowing Rs. 841.47 lakhs as Reasonable Return. Taking the audited balance sheet as on 31st March 2004 as basis, the tariff petitioner computed the position of their Equity Fund on that date as under:

	Rs. in Lakhs
Share Capital issued for Cash	315.39
Share Premium	1659.39
Capital Reserve	82.47
Capital Redemption Reserve	28.00
General Reserve	5307.43
Total	7392.68
Less : Accumulated losses	(1196.30)
Equity Fund	**6196.38**
Reasonable Return claimed by the tariff petitioner @13.58% on the above Equity Fund is Rs.841.47 Lakhs	

6.5.2 The Commission has carefully considered the submissions of the tariff petitioner and in the considered opinion of the Commission, all the items that have been included in the equity fund by DPSC Limited, do not qualify to be so included in the rate base. While the items ‘share capital issued for cash’ and ‘share premium’ are admittedly eligible for being counted as equity fund, the other three items described as some kind of reserve or other need a critical examination. But before such an examination is done, it is necessary to take a view on whether any reserve should at all be an element of the rate base.

6.5.3 The Tariff Regulations of the Commission do not mention of any reserve. But the concerned CERC Regulations have included free reserves in the rate base and the draft National Tariff Policy which is already in circulation has also done so. While applicability of the CERC REGULATIONS TO dpsc limited may be doubted because the latter is treated as a distribution licensee, and similarly the applicability of the draft National Tariff Policy may be question as the same is, as of now, in a draft stage, the point remains that these are strong pointers to the policy prescriptions that are shaping up. Besides, the National Electricity Policy, which has already been put into effect from 12th February 2005 under Section 3 of the Electricity Act, 2003, and by which, inter-alia, the Commission is to guide itself in terms of Section 61(i) ibid, prescribes that returns to the investments should be such as to attract more investment and that those who have already invested in this sector should receive due payment.

6.5.4 Paragraph 5.8.4 of the National Electricity Policy states thus: “Capital is scarce. 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….”

6.5.5 Again, paragraph 5.8.7 of the same National Policy 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 for the expansion programmes…."

6.5.6 The Commission has very carefully considered whether any reserves may be counted towards equity fund, even though the present Tariff Regulations do not mention it. After considering all pros and cons carefully particularly the policy directives given by the National Electricity Policy, the Commission is of the opinion that to meet the end of justice, the Commission should apply its inherent power in terms of Regulation 8(iii) of the West Bengal Electricity Regulatory Commission (Tariff) Regulations, 2003, and for the purpose of determining reasonable returns, do away with the requirement of keeping out of consideration, reserves that have actually been employed by the tariff petitioner to build and / or expand the company's capital assets pertaining to such areas of its operation that are the subject of a tariff petition. The Commission, therefore, includes such reserves of the tariff petitioner actually employed in capital expenditures pertaining to all assets covering generation, transmission and distribution, the tariff / tariffs for which are under consideration at the moment.

6.5.7 Having arrived at a decision about inclusion of reserves, the next question one faces is whether the reserves that have been put in the equity fund in the tariff petition qualify to be included in the rate base. The items 'capital reserve' and 'capital redemption reserve' clearly do not quality as they do not represent internally accrued funds employed in the capex of the appropriate kind. It is possible that some portion of 'general reserve' would qualify for this purpose, but not the whole amount of Rs. 5307.43 lakhs furnished in the tariff petition. There are good reasons to assume that a significant portion of the above mentioned sum includes funds belonging to consumers' account. This matter was dealt with extensively in paragraphs 10.13 and 18.13 of the last tariff order for DPSC Limited for the years 2003 – 2004 and 2004 – 2005. The present tariff petition does not furnish adequate data to identify within the 'General Reserve' such funds that are truly internally accrued and employed in the manner as has already been described in the foregoing analyses.

6.5.8 Thus, even after admitting inclusion of a particular variety of reserves into the rate base for the purpose of determination of reasonable returns, we are led to a situation where only a provisional view can be taken. There are to elements giving rise to indeterminacy, i.e., how much of the 'General Reserve' fund would qualify to be counted in the equity fund is not certain, and the National Tariff is yet to achieve finality. We propose to take a broad view of the matter, as we note that the company plans to spend a biggish sum of Rs. 713.36 lakh during 2005 – 2006 for augmentation of its power receiving stations and development of its distribution system, and the benefits of financing such capital addition out of its own internal resources to the company itself as also to its consumers are obvious.

6.5.9 After considering all pros and cons of the matter carefully, we allow provisionally a sum of Rs. 336.74 lakhs as reasonable return for 2005 – 2006, the sum being at par with the amount allowed as reasonable return in the last tariff order. Naturally, this is subject to appropriate adjustments during the next tariff determination exercise. The Commission directs DPSC Limited to furnish all relevant data which would reveal the different components of the 'General Reserve' fund as also show which of the components have actually been employed in the capital expenditures of the qualifying type and to what extent. It is anticipated that the National Tariff Policy, which is still in a draft stage will achieve finality by then.

6.6 Special Appropriation:

DPSC Limited claimed Rs. 46.81 lakhs towards Special Appropriation on account of short recovery of fixed charges in 2003 – 2004. It has been stated by the Utility that the actual sales during the referred year were lower than the estimated sales by 8.74 MU. Such short fall in the estimated sales resulted in under recovery of fixed charges by Rs. 46.81 lakhs. We are not accepting this claim as admission of such a claim will lead us to re-open the Tariff Orders of the earlier years to identify the under or over recovery of expenses under the different heads of fixed charges.

6.7 Income from other Sources:

i) DPSCL Limited has projected Rs. 382.87 lakhs as income from other sources with following break-up:

	Rs. in Lakhs
a) Rental of Meters & Other apparatus	28.05
b) Rent	13.75
c) Income on fixed and call deposits, etc.	99.09
d) Other General Receipt	56.14
e) Wheeling charges to be recovered	110.73
f) Cost of T&D loss on wheeled power to be recovered	75.11
Total	382.87
We agree to the projected other receipts on account of first four items.	

ii) DPSC Limited proposes to bill wheeling charges for the power to be wheeled through its network. It arrived at a wheeling charge rate of Rs. 0.246 / Kwh based on the Fixed costs, Special Appropriations and Reasonable Returns allowed by the Commission for the year 2004 – 2005. We do not think that computation of wheeling charges recoverable per unit of energy to be wheeled on the basis of fixed charges allowed in the previous year is correct. The rate of such charges needs to be worked out on the basis of fixed charges attributable to Transmission and Distribution function of the Utility. It may be noted from the Statement of Revenue Requirements as shown in the next chapter that the gross fixed charges allowed by us for the year 2005 – 2006 is Rs. 3831.00 lakhs. Out of this amount, the charges towards Lease Rental and Fuel & Ash Handling charges total amounting to Rs. 417.16 lakhs are exclusively for the Generation function of the Utility. The balance of fixed charges, i.e., Rs. 3413.84 lakhs (Rs. 3831.00 lakhs – 417.16 lakhs) can be bifurcated between Generation and Distribution function as under:

Sl. No.	Particulars	Total Charges	Generation	Transmission & Distribution
1.	Charges Related to Capital :			
	i) Depreciation	376.21		
	ii) Interest & Finance Charges	176.24		
	iii) Reasonable Return (Allocated in Ratio of Gross Block)	268.18 **820.63**	 **289.50**	 **531.13**
2.	Employees Cost :			
	i) Direct Charges	1120.83	679.21	441.62
	ii) Common Services (Allocated in the Ratio of Direct Charges)	474.60 **1595.43**	287.60 **966.81**	187.00 **628.62**
3.	Repairs and Maintenance :			
	i) Direct Charges	401.45	206.89	194.56
	ii) Common Services (Aloocated in Ratio of Direct Charges)	67.07 **468.52**	34.56 **241.45**	32.51 **227.07**
	Total (1+2+3)	**2884.58**	**1497.76**	**1386.82**
4.	Other Expenses :			
	i) Rent, Rates & Taxes	22.25		
	ii) Legal Charges	12.00		
	iii) Audit Fees	11.20		

	iv) Other Administrative Expenses	483.81		
	(Allocated in the ratio of expenses at 4)	529.26	274.81	254.45
	Total Fixed Charges (4+5)	**3413.84**	**1772.57**	**1641.27**

iii) It comes out from our above computations that Gross Fixed Charges relating to Transmission & Distribution is Rs. 1641.27 lakhs. We have already shown in paragraph 4.3 that energy requirement of DPSC Limited for their own business is 774.18 MU. Besides this quantity, energy to be wheeled through their network has been estimated to be 45.00 MU. So total energy in their system will be 819.18 MU. For estimated wheeling of 45.00 MU, the recoverable charges would come to Rs. 90.16 lakhs. DPSC Limited is also to recover cost of T&D loss @ 5.74% on import cost of DVC power which is 291.83 paise / Kwh.

The total amount recoverable from WBSEB for wheeling of 45 MU through the network of DPSC Limited will be as under:

(a) Cost of T&D Loss 5.74% of 45 MU @291.83 paise	Rs.75.38 Lakhs
(b) Wheeling charges on 45 MU @19.23 paise/Kwh	Rs.90.16 Lakhs
	Rs.165.54 Lakhs

iv) The Incomes from other sources, thus, come to the following:

	Rs. in Lakhs
a) Rental & Meters & Other apparatus	28.05
b) Rent	13.75
c) Income on fixed and call deposit, etc.	99.09
d) Other General Receipts	56.14
e) Wheeling charges Recoverable	90.16
f) Recovery of T&D Loss	75.38
Total	362.57

CHAPTER - 7

STATESMENT OF REVENUE REQUIREMENT & AVERAGE COST OF SUPPLY

The foregoing analysis of Variable Cost and Fixed Charges now leads us to draw the Statement of Revenue Requirements as given hereunder and also to work out the average cost of Supply.

Sl. No.	Particulars	As Projected by DPSC Limited	As Admitted by Commission
A. VARIABLE COST (RS. IN LAKHS) :			
1.	Fuel Cost	4532.12	4355.81
2.	Cost of Power Purchase	18179.59	15881.68
3.	Total Variable Cost (A)	22711.71	20237.49

B. ANNUAL FIXED CHARGES (RS. IN LAKHS) :			
4.	Employees' Cost	1693.83	1595.43
5.	Repairs & Maintenance	468.52	468.52
	Administration & General Expenditure : (a) Rent, Rates & Taxes (b) Legal & Professional Charges (c) Audit Fees (d) Others	 22.25 12.00 11.20 483.81	 22.25 12.00 11.20 483.81
6.	Fuel & Ash Handling Charges	67.16	67.16
7.	Lease Rental	350.00	350.00
8.	Depreciations	744.33	376.21
9.	Interest and Financing Charges	176.24	176.24
10.	**Total Annual Fixed Charges (B)**	**4029.34**	**3562.82**
11.	**Special Appropriations (C)**	**46.81**	--
12.	**Reasonable Returns (D)**	**841.47**	**336.74**
13.	**Gross Revenue Requirements (A+B+C+D)**	**27629.33**	**24137.05**
14.	Other Income	382.87	362.57
15.	**Net Revenue Requirement before Trading (13-14)**	**27246.46**	**23774.48**
16.	Trading to WBSEB (90.54 MU)	--	2956.58
17.	**Net Revenue Requirement after Trading (15-16)**	**27246.46**	**20817.90**
18.	Sales (Million Units)	797.94	635.41
19.	Average cost of supply (Paise / Kwh)	341.46	327.63

CHAPTER - 8

TARIFF ORDER

8.1 Based on the analysis and the decision recorded in the earlier chapters, we order the following tariff, which will be applicable from 1st April 2005 and shall remain in force for a period of one year unless amended or revoked or extended beyond the said period of one year.

8.1.1 For power supply to WBSEB
Energy Rate - 326.55 Paise / kWh

8.1.2 HT Consumers:
(a) Public Utility Services - 337.10 Paise / kWh
(b) Agriculture & Irrigation - 350.00 Paise / kWh
(c) Other consumers - 334.73 Paise / kWh

8.1.3 LT Consumers:

(a) DVC - 326.55 Paise / kWh
(b) Public Utility Services - 327.63 Paise / kWh
(c) Other consumers - 334.73 Paise / kWh

8.2 The associated conditions are given below: -

8.2.1 A special rebate of 10% will be permitted to Public Utility Services consumer in the tariff indicated above, provided the payment is made in time. Also a special supportive rebate of 10% will be permitted to the domestic consumers consuming upto 25 units per month, if any, in line with the National Electricity Policy.

8.2.2 A special rebate of 40% will be permitted to agricultural and irrigation consumers (other than WBSEB) in the tariff indicated above, provided the payment is made in time.

8.2.3 For timely payment rebate of 2% of the amount of bill excluding taxes, dutiesand levies and arrears will be allowed to all consumers excluding Public Utility Services consumers and agricultural & irrigation consumers, provided the payment is made in time.

8.2.4 For HT consumers and for supply to WBSEB and DVC, a penalty @ 20 Paise / kWh will be leviable on such consumers / licensees for the shortfall of consumption from 20% load factor level with reference to contract demand.

8.2.5 A rebate of 20 Paise / kwh will be given to HT consumers on excess consumption above 80% load factor level with reference to contract demand.

8.2.6 For temporary supply, rate will be 8% above the applicable rate of supply for the respective category of supply (classes of consumers). In the absence of any appropriate rate, temporary supply will be charged at Rs.6 / kwh. Basis of calculation will be as per existing practice.

8.2.7 In case in any month DPSCL fails to provide at least 90% availability of supply in terms of time to the consumers, the consumers will be compensated at a rate of 1% of the net amount of their energy bills for that particular month for each drop of 2% or part below 90% level.

8.2.8 For the consumers under TOD metering the peak period (5 P.M to 11 P.M) energy charge will be 40% more than normal time (6 A.M to 5 P.M) energy charge and off peak period (11 P.M to 6 A.M of the following day) energy charge will be less than normal energy charge by 34% of normal period energy charge.

8.2.9 In case the drawal by the consumer exceeds the contract demand in any month the recorded maximum demand will be treated as contract demand for that month for all purposes. In addition to this, additional demand charge in the case of non-TOD consumers shall be 20% extra on the quantum of demand by which the recorded maximum demand exceeds the contracted demand.

8.2.10 For TOD consumers additional demand charges shall be follows: -

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.

8.2.11 Delayed Payment Charge:

If payment of the energy bill is not made within the time limit, a delayed payment surcharge will be payable by the consumer and licensee as given below.

Sl.No.	Delay in Month (Span of months)	Surcharge Rate
1.	Payment after due date upto 3 months (0-3)	1.25% per month and / or prorated for part thereof.

2.	Payment made after 3 months and before 6 months (3-6)	1.50% per month and / or prorated for part thereof.
3.	Payment made after 6 months	2.0% per month and / or prorated for part thereof.

The delayed payment surcharge will be payable from the due date of payment, on the amount of bill. This is without prejudice to the other provisions of the Act and the Regulations made thereunder.

8.2.12 Meter rentals shall be as under: -

(a) Single phase meter - Rs.10 per month
(b) 3 phase, 3 wire & 4 wire meter - Rs.50 per month
(c) TVM, Static or other classes of meters - Rs.800 per month
(d) TVM meter where TOD facility is Used - Rs.1200 per month

8.2.13 Other miscellaneous charges for meter testing, disconnection & reconnection charges, fuse call charges etc. will remain unchanged.

8.2.14 The fuel cost shall be subject to adjustment periodically as per the fuel cost adjustment formula given in schedule 4 of the Commission's Tariff Regulation 2003. It is, however, made clear that for carrying out such adjustment only the basic fuel cost plus applicable taxes and levies plus railway freight or road transportation cost, wherever required, will be considered.

8.2.15 The statutory levies like electricity duty or any other taxes, duties imposed by the competent authority shall be extra.

8.3.1 The Commission proposes to give certain directives to DPSCL in respect to tariff related subject, metering arrangement and operational matters. They are as follows: -

(a) DPSCL shall make full efforts to bring all HT consumers under TOD metering. Licensees shall write appropriately to the consumers of the above group explaining to them the features of TOD metering system and encouraging them to opt for the same.

(b) DPSCL shall also submit a scheme for introducing a system of pre-paid metering to the Commission for the latter's consideration within 6 months. The scheme shall form a part of next tariff revision petition.

(c) In terms of the provisions of the recently declared National Tariff Policy, availability based tariff is to be introduced at the State level within a year. The generating companies and the distribution licensees including DPSCL are directed to submit a report within 3 months outlining as to 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. The report shall inter-alia include the participation of DPSCL in the ABT mode of operations and commercial treatment including merit order despatch, grid discipline etc. This report should also form a part of next tariff revision petition.

(d) DPSCL shall also give its opinion in regard to the introduction of differential rates of fixed charges for peak and off peak hours for better management of load. This opinion along with justifications and suggestions shall be intimated to the Commission by June 2005.

(e) DPSCL is advised to actively promote and explore the possibilities of purchase of power from renewable non conventional sources of energy like wind, bio mass, solar, municipal and industrial wastages and co generation sources like steel plants, sponge iron plants, coke oven complexes etc. and progress made in this regard is to be reported back to the Commission by the end of October 2005. The report shall also form a part of next tariff revision petition in the tariff order of 2006-07. The Commission may in terms of the Section 86(1)(e) of Electricity Act 2003 specify the quantum of such energy from renewable, non-conventional or co generation sources as a percentage of total sales of energy in the distribution licensees' area. After this, each year the share of electricity from co generation and renewable non-conventional energy shall be progressively increased in line with National Electricity Policy.

(f) Action towards conservation of energy by adopting energy efficient process, demand side management and by using energy efficient gadgets should be implemented with high priority.

(g) DPSCL should approach its consumers particularly bigger ones for ensuring energy auditing and energy conservation measures.

8.4 DPSCL would be entitled to recover the enhanced fuel and power purchase cost, if any, after the date of effect of the tariff structure as given in this Order from its consumers by way of surcharge with prior approval of the Commission. However, the approval of the Commission should be reflected in the Consumers' bill in a separate entry for their information.

8.5 The Commission has fixed the tariffs in terms of this order in terms of provisions of Section 64(3)(a) read with Section 62(1) and Section 62(3) of the Electricity Act, 2003 and keeping in view the provisions of Sections 61, 172, 173, 174 and 185 of the Electricity Act, 2003.
8.6 It is open to the State Government to grant any subsidy to any consumer or any class of consumer in the tariff determined by the Commission. If at all any such subsidy under the provisions of the Act is intimated to the DPSC Ltd. and to the Commission by the Government of West Bengal with clear indication of the consumer or class of consumers to be subsidized and the amount of the subsidy is paid in advance as has been specified, the tariff of such consumer and / or the class of consumers shall be deemed to have been reduced accordingly as has been indicated by the Government. However, such direction of the Government shall not be operative till the payment is made by the Government in accordance with the provisions of the Act and Regulations made thereunder, and the tariff as fixed by the Commission shall remain applicable.

8.7 DPSCL 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 working days from the date of receipt of the approval of the Commission.

Sd/- 29.03.2005

PRITITOSH RAY
MEMBER (TECHNICAL)

Sd/- 29.03.2005

S. N. GHOSH
CHAIRPERSON

DATE: 29.03.2005

Corrigendum to the Tariff Order dated 29.03.2005 of the Commission in respect of DPSC Ltd in TP – 21 / 05-06

Correction of typographical errors / apparent mistakes in the Tariff Order dated 29.03.2005 of the DPSC Ltd for the year 2005-06

Page No.	Nomenclature	Existing Description	Corrected Description
42	Para 8.2.10 Peak and Off-Peak period timings	Peak Period 5 PM to 10 PM Off-Peak period 10 PM to 6 AM	Peak Period 5 PM to 11 PM Off-Peak period 11 PM to 6 AM

Sd/- 31.03.2005	Sd/- 31.03.2005
(P. Ray) **Member (Tech)**	**(S. N. Ghosh)** **Chairperson**

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