



ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN

CASE NO: TP –48 / 11-12

**IN RE THE DETERMINATION OF WHEELING
CHARGES PAYABLE TO CESC LIMITED FOR THE USE OF ITS
DISTRIBUTION SYSTEM FOR CONVEYANCE OF ELECTRICITY BY OPEN
ACCESS CUSTOMERS INCLUDING CAPTIVE GENERATING PLANTS
DURING THE FINANCIAL YEAR 2013 – 2014 UNDER SECTION 62(1)(c) OF
THE ELECTRICITY ACT, 2003.**

DATED: 04.03.2014



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of regulation 2.1.1(iv) of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, (hereinafter referred to as the “Tariff Regulations”), the West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”) is required to determine the wheeling charges payable to the distribution licensees for the use of their distribution system and associated facilities for conveyance of electricity by all open access customers including the captive generating plants. Accordingly, the Commission proceeds to determine such wheeling charges payable to CESC Limited by such customers / system users during the year 2013 – 2014.
- 1.2 On prudent analyses and viewing the tariff application made by CESC Limited, the Commission earlier determined the Aggregate Revenue Requirement (in short “ARR”) of CESC Limited separately for each year of the third control period comprising the financial years 2011 – 2012, 2012 – 2013 and 2013 – 2014 under the Multi Year Tariff (in short “MYT”) approach . The ARR for the year 2013 – 2014 may be referred to at Annexure – 6F to the Commission’s tariff order dated 6th March, 2012 in Case No. TP- 48/11-12 and Annexure-2A to the Commission’s tariff order dated 26.12.2013 in Case No. TP-48/11-12 determining the tariff of CESC Limited for 2013-14. However, ARR related to the distribution function may be referred to Annexure – 6E to the aforesaid tariff order dated 06.03.2012 of the Commission.
- 1.3 The Commission now takes up the matter relating to determination of the rate of distribution wheeling charges in accordance with the principles, terms and conditions laid down in Schedule – 4 to the Tariff Regulations.



CHAPTER – 2 DETERMINATION OF FIXED CHARGES RELATING TO DISTRIBUTION FUNCTION

- 2.1 CESC Limited is a distribution licensee having four generating stations at Budge Budge, Titagarh, Southern and New Cossipore, with total target generation of 8868 MU from these generating stations during the year 2013 - 2014. The admissible charges of CESC Limited under certain heads of accounts for distribution function are, therefore, required to be considered for determining the fixed charges related to its distribution function. Annexure – 6E to the Commission's tariff order dated 06.03.2012 in Case No. TP – 48 / 11 – 12, determining the ARR for each year of the third control period comprising the financial years 2011-12, 2012-13 and 2013-14 and also the tariff order dated 26.12.2013 in case no. TP-48/11-12 determining the tariff of CESC Limited for the year 2013 - 2014, may be referred to in this regard. After prudent analysis of the amounts of ARR for the year 2013 – 2014 and making such allocations, the gross amount of total fixed charges attributable to the distribution function of CESC Limited to be considered for determining wheeling charges is found to be Rs. 157314 lakh. The amounts of provisions for bad and doubtful debts of Rs. 2941.00 lakh as well as an amount of Rs. 7716.00 lakh towards interest payable to consumers on their security deposits and an amount of Rs. 932.00 lakh on account of cost of out sourcing relating to call centres for complaint management mechanism have not been considered in the above computation. The detailed head-wise break-up of the referred amount is given in Annexure – 2A to this order.
- 2.2 The gross amount of total fixed charges, i.e., Rs. 157314 lakh, as shown in Annexure – 2A, is the gross aggregate revenue requirement for distribution function. Paragraph 2.1 of Schedule – 4 to the Tariff Regulations provides for deduction of expenses incidental to selling and distribution of energy, non-tariff income and income from other business from the gross aggregate revenue



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requirement attributable to distribution function for ascertaining the wheeling charges payable by the open access customers. The total of the deductible amounts of expenses incidental to selling of energy as per allocation made by CESC Limited in their MYT Application comes as under:

Rs. in Lakh

Sl. No.	Head of Charges	Amount (Rs. in Lakh)
1	Employee Cost (including Terminal Benefits)	10487
2	Operation & Maintenance Expenses	4650
3	Rates & Taxes	50
4	Insurance	24
5	Financing Charges	298
6	Interest on Capital Expenditure	3184
7	Lease Rental	68
8	Depreciation	1577
9	Advance against Depreciation	320
10	Intangible Assets written off	4
11	Reserve for Unforeseen Exigencies	95
12	Tax on Income and Profit	648
13	Returns on equity	1996
	Amount of deductible Fixed Charges relating to sale [Sum (1) to (13)]	23401

- 2.3 The amount of gross fixed charges attributable to distribution function also requires to be reduced by the non-tariff income. Such deductible amount is found to be Rs. 6867.00 lakh.
- 2.4 Based on the foregoing analyses, the amount of fixed charges attributable to the distribution function of CESC Limited for the year 2013 - 2014 for determination of rate of wheeling charges payable by the open access customers including the captive generating plants comes as under:



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			Rs. in Lakh
(a)	Gross amount of fixed charges relating to distribution function		157314.00
(b)	Less:		
	i) Expenses relating to and incidental to retail sales	23401.00	
	ii) Non-tariff Income	6867.00	30268.00
(c)	Net admissible amount of fixed charges relating to distribution wheeling		127046.00
2.5	With the estimated sales of 9356 MU to own consumers and West Bengal State Electricity Distribution Company Limited admitted in para 4.7 of the Tariff Order dated 06.03.2012 the average rate of recoverable wheeling charges comes to 135.79 paise per unit (kWh) .		
2.6	The avoided cost as computed in terms of the formula provided in regulation 14.3.10 of the West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007 in case of CESC Limited works out as under:		
(a)	Total Fuel and Power Purchase Variable Cost (vide Annexure – 2A of Tariff Order dated 26.12.2013 in Case No. TP-48/11-12).		Rs. 325331.35 Lakh
(b)	Quanta of energy pooled in the distribution system		
	(i) Sent-out energy from own generation	8065.50 MU	
	(ii) Purchase of Energy	2892.80 MU	10958.30 MU
	(vide energy balance in para 4.7 of the order dated 06.03.2012 in case no. TP-48/11-12)		
(c)	Weighted average unit cost of pooled energy [(a) / (b)]		296.88 paise / kWh



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(d) Distribution Loss allowed for the year 14.30%

(e) Avoided cost will be -

296.88 paise / kWh + Wheeling charges per unit applicable to the
(100-14.30) x 0.01 + relevant open access case.

= 346.42 paise / kWh + Wheeling charges per unit as applicable



**ANNEXURE – 2A
HEAD WISE BREAKUP OF THE AMOUNT OF
NET FIXED CHARGES ATTRIBUTABLE TO
DISTRIBUTION FUNCTION**

Sl. No.	Head of Charges	Amount (Rs. in Lakh)
1	Employee Cost (including Terminal Benefits)	46039
2	Operation & Maintenance Expenses	27047
3	Rates & Taxes	242
4	Insurance	294
5	Financing Charges	468
6	Interest on Capital Expenditure	20472
7	Foreign Exchange Rate Variation	0
8	Lease Rental	1111
9	Depreciation	18877
10	Advance against Depreciation	3834
11	Intangible Assets written off	43
12	Reserve for Unforeseen Exigencies	1473
13	Tax on Income and Profit	9164
14	Returns on equity	28250
	Gross Amount of Fixed Charges	157314



CHAPTER – 3 ORDER

- 3.1 The average rate of distribution wheeling charges of CESC Limited for the year 2013 – 2014 comes to 135.79 paise per unit (kWh) as shown in the preceding chapter and the same is recoverable from the long term open access customers. In terms of the provisions contained in regulation 14.3.2 of the West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007, as amended (hereinafter referred to as the “Open Access Regulations”), the Commission is fixing the above rate of wheeling charges and the same is to be recovered by CESC Limited during the year 2013 – 2014 onwards from the different categories of open access customers as mentioned in the said regulation including captive generators for conveyance of electricity through its distribution system for long term open access. For short term open access, the wheeling charge shall be realized as per Open Access Regulations. However, for conveyance of electricity from cogeneration and renewable energy sources, the wheeling charge shall be realized by CESC Limited from such open access customer as per regulation framed by the Commission on Cogeneration and Generation of Electricity from Renewable Sources of Energy.
- 3.2 In terms of the provisions contained in regulation 14.3.10 of the Open Access Regulations, the open access customers, other than those carrying the electricity generated in captive generating plant to the destination and for the extent of their own use, are to pay cross-subsidy surcharge in addition to the charges for using the distribution system of the licensees. Such cross-subsidy surcharge will be the difference between the tariff applicable for the category of the consumers being allowed open access and the cost avoided (per unit) by the licensee in this regard.
- 3.3 The avoided cost for the concerned open access customers will be at the rate of 346.42 paise per kWh plus wheeling charges per unit as applicable to the



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- relevant open access case as shown in chapter 2 of this order. CESC Limited will recover cross-subsidy surcharge from the open access customer with reference to the tariff applicable for similar category of consumer.
- 3.4 The effective date of the rate of wheeling charge and cross subsidy surcharge as per this order is 1 April, 2013 and will continue till further order in this regard. The adjustments, if any, for over-recovery / under-recovery for the period from 01.04.2013 to 28.02.2014 shall be made in 6 (six) equal monthly instalments starting from the billing month of March, 2014.
- 3.5 The Open Access Customer shall pay to the concerned licensee for drawal of reactive energy at the drawal point if the voltage at the point of drawal is below 97% of normal voltage and for injection of reactive energy at injection point if the voltage is higher than 103% of normal voltage. The charge for VARh shall be at the rate of 11.00 paise per KVARh. This rate is effective from 01.04.2013 and will continue till further orders.
- 3.6 CESC Limited shall submit to the Commission a gist of this order within three 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 in which the gist of the tariff order for 2013 – 2014 was published, within four working days from the date of receipt of the approval of the Commission.

**Sd/-
(SUJIT DASGUPTA)
MEMBER**

DATE: 04.03.2014