



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 32 / 12 – 13

**IN RE THE APPLICATION OF
WEST BENGAL STATE ELECTRICITY
TRANSMISSION COMPANY LIMITED
FOR ANNUAL PERFORMANCE REVIEW
FOR THE FINANCIAL YEAR 2011 – 2012**

DATE: 09.09.2013



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 (hereinafter referred to as the 'Tariff Regulations'), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). West Bengal State Electricity Transmission Company Limited (hereinafter referred to as 'WBSETCL') submitted their application for Annual Performance Review for 2011 – 2012 on 30.11.2012 in terms of the provision contained in Tariff Regulations followed by supplementary petition of APR for the year 2011 – 2012 submitted on 18.03.2013. The application was numbered as APR-32/12-13. The APR application submitted on 30.11.2012, supplementary petition submitted on 18.03.2013 and the additional information submitted on 25.04.2013 are hereinafter collectively referred as APR application for 2011 – 2012.
- 1.2 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performance and projected performance under different factors/ heads of accounts.
- 1.3 WBSETCL is one of the successor entities of erstwhile West Bengal State Electricity Board (in short 'WBSEB') and came into being with effect from 1 April, 2007. It is engaged in the business of transmission of electricity and management of the State Load Despatch Centre in terms of West Bengal Power Sector Reform Transfer Scheme, 2007, notified by the Department of Power and Non-conventional Energy Sources, Government of West Bengal vide Notification No. 12-PO/O/III/3R-29/2006 dated 25 January, 2007 followed by subsequent modifications made through Notification No. 313-PO/O/III/3R-29/2006 dated 19.09.2008. The instant application of WBSETCL for APR for 2011 – 2012 is its



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- first application of the third control period based on independent audited annual accounts for the year 2011 – 2012. The adjustments as may arise out of the review of the instant application with reference to the aforesaid audited annual accounts and the Commission's tariff order dated 01.12.2012 for WBSETCL for 2011 – 2012 in Case No. TP-50/11-12 will be considered for giving effect while determining the amount of revenue recoverable through tariff order of ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.4 The APR is to cover the annual fixed charges allowed to the applicant, incentives and the effect of gain sharing as per Schedule-10 and Schedule 9B to the Tariff Regulations. Element of performance incentive or gain sharing on account of achieving better operational norms, however, was not considered for WBSETCL while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2011 – 2012 in terms of the referred schedules to the Tariff Regulations. The APR for the year 2011 – 2012 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to WBSETCL through its ARR for the year 2011 – 2012 vis-à-vis the actuals as per the audited accounts. The Tariff Regulations (vide regulation 2.5.5) provides that the variations out of uncontrollable factors of expenses are to be passed through the tariff in an appropriate manner as may be decided by the Commission. The variations arising out of the controllable factors shall, however, be on the accounts of the licensee. The instant application of WBSETCL is being viewed in the subsequent parts of this order.
- 1.5 WBSETCL submitted the required data / information in the formats specified by the Commission and also a copy of its Annual Accounts for 2011 – 2012 duly audited by the statutory auditors. The detailed review of its performances is being taken up in the subsequent parts of the order. The review will involve examination of the expenditures incurred under different heads of fixed charges



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- for ascertaining the admissibility of such expenditures in terms of the Tariff Regulations.
- 1.6 WBSETCL was directed to publish, in terms of regulation 2.6.12 of the Tariff Regulations, the gist of the APR application 2011 – 2012, as submitted by WBSETCL and approved by the Commission, in at least four daily newspapers having wide circulation in the area of WBSETCL at least one each of such newspapers being in Bengali and English and also in the website of WBSETCL. The gist was accordingly, published simultaneously on 11.05.2013 in Ananda Bazar Patrika, Sanmarg, Hindustan Times and the Telegraph. The publication invited the attention of all interested parties, stake holders and the members of the public to the application for APR for the year 2011 – 2012 of WBSETCL and requested for submission of objections, comments etc., if any, on the application to the Commission by 12.06.2013 at the latest. Opportunities were also afforded to all to inspect the application and take copies thereof.
- 1.7 No comment, suggestion, objection on applications for APR for the year 2011 – 2012 of WBSETCL has been received during the stipulated time i.e., 12.06.2013.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the ARR for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amount of actual expenses/charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be.

2.2 Treatment of Net Prior Period Adjustments:

2.2.1 It is observed from the note 18 of notes to accounts of audited annual accounts of WBSETCL for the year 2011 – 2012 and the certificate dated 28.02.2013 of Chartered Accountants submitted in Annexure – 2 of the supplementary petition that Rs. 552.04 lakh has been considered as net prior period income during 2011 – 2012. The breakup of the net prior period income as provided, is as below:

Sl. No.	Particulars	Amount (Rs. In lakh)
1	Excess LIC interest provided in 2010-11	45.85
2	STOA charges relating to March 2011 received & accounted in April 2011	405.77
3	Accrued interest income excess provision relating to previous years	(61.46)
4	Other O&M expenses	1.33
	Total	391.49
5	Add: Operating expenses excess provision of previous year	245.18
	Total	636.67
6	Less: Prior period depreciation charged in 2011-12 (Asset commissioned prior to 2011-12 but depreciation charged for the first time in 2011-12)	84.63
	Net Prior Period Income	552.04



The amounts under excess LIC interest, STOA charges relating to previous year, prior period depreciation are to be considered for adjustment. Similarly, the amount of accrued interest income also requires adjustment. However, the amounts under other O&M expenses and operating expenses are not to be considered for adjustment as the expenditure under the head was admitted by the Commission in ARR 2011 – 2012 which is controllable in nature. Treatment of the above adjustments is dealt with in subsequent paragraphs.

2.2.2 The review of each of such uncontrollable heads of fixed charges with reference to the amount allowed through ARR and the actuals based on the audited accounts of WBSETCL is being taken up hereunder one by one.

2.3 **Employee Cost:**

2.3.1 WBSETCL was allowed a total amount of Rs. 11976.98 lakh chargeable to its revenue accounts towards employee cost which includes salaries, wages, allowances, bonus, contribution to P.F. etc. as well as Staff Welfare expense. WBSETCL in their supplementary APR petition has claimed for Rs. 11976.98 lakh net of capitalization which includes Rs. 50.73 lakh towards Directors' remuneration. As per the audited annual accounts 2011 – 2012 (vide note 19 of notes to accounts) the actual chargeable expenditure (gross) came to Rs. 14355.15 lakh and after capitalizing a total amount of Rs. 2378.17 lakh, the net employee cost for WBSETCL as a whole came as Rs. 11976.98 lakh for the year 2011 – 2012. As contemplated by WBSETCL, the cost of outsourced security personnel are not to be regarded as a component of employee cost but should be included in O&M expenses. In fact, under note 21 of notes to accounts of the audited annual accounts the expenses under the head was rightly charged under the head other than employee cost. The issue has been addressed under the head Operation and Maintenance expenses in subsequent paragraph.



2.3.2 Out of the total chargeable amount of Rs. 11976.98 lakh, as stated above, the payment of Rs. 345.86 lakh pertained to salary and terminal benefits of SLDC. The Commission admits the amount of Rs. 11976.98 lakh towards employee cost of WBSETCL including same for SLDC being uncontrollable in APR for 2011 – 2012.

2.4 Operation and Maintenance (O&M) Expenses:

2.4.1 The operation and maintenance expenses, including general administrative expenses, are categorized as controllable. WBSETCL in their APR application for 2011 – 2012 has claimed Rs. 2849.39 lakh under repair and maintenance and Rs. 2532.35 lakh under administrative and general expenses aggregating to Rs. 5381.74 lakh as against a provision in the tariff for 2011 – 2012 for Rs. 2774.74 lakh under repairs and maintenance and Rs. 2338.04 lakh under administrative and general expenses aggregating to Rs. 5112.78 lakh. The administrative and general expenses of Rs. 2338.04 lakh as claimed by WBSETCL includes Rs. 59.85 lakh, Rs. 2.75 lakh and Rs. 36.79 lakh incurred during 2011 – 2012 on account of consultancy charges, legal charges and auditors' fees respectively. In fact, the above amounts were provided in the tariff on actual basis after due consideration of the audited annual reports and accounts for 2011 – 2012 with due adjustment of proportionate amount of capitalization. This amount, however, includes Rs. 185.64 lakh towards SLDC expense (Rs. 146.27 lakh under repair and maintenance and Rs. 39.37 lakh under administrative and general expenses).

2.4.2 WBSETCL in their APR application for 2011 – 2012 has claimed an amount of Rs. 1002.47 lakh towards expenses on account of outsourcing of security services. It has been highlighted that with the increase in number of sub-station and transmission lines which require regular patrolling, security personnel have been outsourced from outside agencies. The Commission observed that the cost of outsourcing as claimed by WBSETCL for security services are related to other



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administrative and general expenses which is controllable and was already considered while determining the same in the tariff order for 2011 – 2012. As such, the Commission decides not to allow any expenses under the head 'cost of outsourcing' separately in APR for 2011 – 2012 as claimed by WBSETCL.

2.4.3 In terms of the Tariff Regulations, O&M expenses are a controllable item. The Commission, thus, admits the amount of Rs. 5112.78 lakh as provided in tariff order for 2011 – 2012 including Rs. 185.64 lakh for the cost related to SLDC towards operation and maintenance expenses in APR for 2011 – 2012 as follows.

(Rs. in lakh)		
Sl. No.	Particulars	Amount admitted in APR 2011 – 2012
1	Repair & Maintenance	2774.74
2	Administrative and General Expenses	2338.04
	Total	5112.78

2.5 Rates & Taxes (Other than on Income & Profit):

2.5.1 An amount of Rs. 403.25 lakh was allowed under the head in the tariff order for the year 2011 – 2012. As per Tariff Regulations, such expenditure is a separate item and categorized as uncontrollable. As per note 21 to the annual report and accounts 2011 – 2012 the actual expenditure under the head rates and taxes during the year 2011 – 2012 was Rs. 130.04 lakh. Besides, WBSETCL paid Rs. 152.62 on account of licence fees and Rs. 124.00 lakh on account of fees for filing petitions totaling to Rs. 276.62 lakh during the year 2011 – 2012 to the Commission. Such expenditure being statutory in nature is also considered under this head rates and taxes. Thus, considering the actual expense of Rs. 130.04 lakh under this head along with Rs. 276.62 lakh incurred by WBSETCL towards licence fees / petition filing fees paid to the Commission aggregating to Rs. 406.66 lakh expenses on this account comes to Rs. 403.25 lakh after



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capitalization. The amount of Rs. 403.25 lakh is admitted in the APR for 2011 – 2012. No amount is, however, found to be admissible for SLDC.

2.6 Insurance Premium:

2.6.1 In the Tariff Regulations, the expenditure towards insurance premium has been categorized as uncontrollable. The Commission, thus, admits Rs. 0.29 lakh incurred by WBSETCL towards insurance premium in the APR for 2011 – 2012.

2.7 Interest on Borrowed Capital:

2.7.1 The provisions for interest charges on borrowed capital of WBSETCL as per Form – C to Annexure – I of the APR application, are as under:

Sl. No.	Source of Borrowings	Amount of chargeable interest as per Form C (Rs. in Lakh)
1	Market Bonds (12%)	554.00
2	Market bonds for creation of pension fund (8.50%)	2295.00
3	Secured redeemable non-convertible bond (9.75%)	1526.00
4	Secured redeemable non-convertible bond (10.29%)	1888.00
5	PFC Limited	191.00
6	REC Limited	4573.00
7	L.I.C.I. Limited	603.00
8	Term loans from Corporation Bank	271.00
9	Term loans from Allahabad Bank	1100.00
10	Term loans from ICICI Bank	653.00
11	NABARD	3.00
12	Working capital loan	199.00
13	Govt. of West Bengal	8787.00
	Total	22643.00
	Less: Capitalization	4821.00
14	Amount chargeable to Revenue Accounts	17822.00

As per Form 1.17 and Form E(T) of Annexure – I, WBSETCL has, however, placed a claim for Rs. 18332.22 lakh under above head in APR 2011 – 2012.



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- 2.7.2 The fresh borrowings and repayments in the capital accounts during the year worked out to Rs. 38652.00 lakh and Rs. 21929.00 lakh respectively as against Rs. 73121.00 lakh and Rs. 33692.00 lakh respectively projected by WBSETCL in its tariff application. Going by the audited accounts under note 20 thereto and Form – C to Annexure - I, the Commission considered to admit the amount of Rs. 17819.82 lakh as interest on borrowing after capitalization of an amount of Rs. 4821.27 lakh in the APR for the year 2011 – 2012.
- 2.7.3 However, the above amount of Rs. 17819.82 lakh is inclusive of an amount of Rs. 2295.00 lakh towards interest payable on bond for creation of pension fund and Rs. 199.00 lakh towards chargeable interest on working capital loan under the head temporary accommodation which are being addressed separately in subsequent paragraphs.
- 2.7.4 Further, as already indicated in paragraph 2.2.1, an amount of Rs. 45.85 lakh towards excess interest provided on term loan from LIC Limited during 2010 – 2011 is also required to be adjusted with the allowable amount of interest.
- 2.7.5 The addition to capital expenditure in the form of fixed assets put to use during the year came to Rs. 23699.57 lakh which included the amount of Rs. 0.87 lakh pertaining to SLDC. Thus, the net addition for WBSETCL other than SLDC heads amounts to Rs. 23698.70 lakh. Normative amount of debt @ 70% of that amount, comes to Rs. 16589.09 lakh as against actual additional borrowings of Rs. 38650.84 lakh as per audited accounts. Therefore, no normative interest on normative capital borrowings is arrived.
- 2.7.6 Summing up above, the allowable interest on borrowed capital comes to Rs. 15279.97 lakh [(Rs. 17819.82 lakh) – (Rs. 2295.00 lakh + Rs. 199.00 lakh + Rs. 45.85 lakh)] and the same is admitted by the Commission in the APR for 2011 – 2012.



2.7.7 It has been observed that WBSETCL is indicating the various amounts of loans etc. as under Form – C by rounding in Rupees Crore. It is directed that henceforth such amount be indicated by rounding in Rupees Lakh instead of Rupees Crore for the purpose of clarity.

2.8 Interest on Bonds for creation of Pension Funds:

2.8.1 To take care of unfunded liability towards staff terminal benefits on actuarial determination, Bonds (8.5%) were issued and the amount pertaining to WBSETCL was considered as Rs. 27000.00 lakh. The annual interest charge on these Bonds was considered as Rs. 2295.00 lakh. It came out from the audited accounts that no variation in the amount of principal and chargeable interest was there. The amount considered in the tariff order, therefore, remained unaltered.

2.9 Interest on Temporary Accommodation:

2.9.1 WBSETCL in their APR petition for 2011 – 2012, has claimed an amount of Rs. 199.00 lakh actually paid by them under above head. It has been highlighted by WBSETCL that due to non-recovery of a sum of Rs. 19413.40 lakh claimed in APR 2008 – 2009 to 2010 – 2011 and delayed issue of tariff order 2011 – 2012, they had to resort to obtain short term specific loans during the year for meeting short term fund mismatches in its operational and debt service obligations. While the short term loan from UCO Bank for Rs. 7500.00 lakh remained outstanding at the beginning of the year, fresh drawal of Rs. 20827.00 lakh was made during 2011 – 2012 and after a repayment of Rs. 10319.00 lakh, an amount of Rs. 18008.00 lakh remained outstanding at the end of the year.

2.9.2 As per Form C submitted with the APR petition, it has been observed that an amount of Rs. 199.00 lakh was paid towards interest to above bank during the year 2011 – 2012 corresponding to above loan. As observed in note – 20 to the



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- audited financial accounts, interest charges on loan from scheduled banks / LIC for Rs. 17819.82 lakh includes Rs. 199.00 lakh on short term loan. However, the interest amount of Rs. 199.00 lakh was not considered in determination of interest on borrowed capital as may be seen in paragraph 2.7.3 above.
- 2.9.3 In terms of regulation 5.6.5.4 of the Tariff Regulations, as amended, the Commission may allow, if considered necessary, interest on temporary financial accommodation taken by the licensee from any source to a reasonable extent of unrealized arrears from consumers / beneficiaries.
- 2.9.4 It is observed that amounts of Rs. 7271.73 lakh and Rs. 2785.17 lakh were realizable on account of APRs 2009 – 2010 and 2010 – 2011. Moreover, the total transmission charge recoverable by WBSETCL during the year 2011 – 2012 as admitted in the tariff order for 2011 – 2012 was Rs. 72591.15 lakh whereas WBSETCL recovered Rs. 67284.35 lakh during the year 2011 – 2012 as per tariff order for 2010 – 2011. So there was a shortfall in recovery of transmission charges of Rs. 5307.16 lakh (Rs. 72591.51 lakh – Rs. 67284.35 lakh) during the year 2011 – 2012. So, an amount of Rs. 15364.06 lakh was lying outstanding to WBSETCL on account of APR 2009 – 2010, 2010 – 2011 and tariff order for 2011 – 2012. Thus, the Commission finds that short term loan outstanding at the year 2011 – 2012 i.e. Rs. 18008.00 lakh is more than the total recoverable amount of Rs. 15364.06 lakh.
- 2.9.5 The Commission, thus, considers the above claim of WBSETCL partially and admits an amount of Rs. 169.78 lakh (Rs. 199.00 lakh x Rs. 15364.06 lakh / Rs. 18008.00 lakh) towards interest paid on temporary accommodation in APR 2011 – 2012.



2.10 Interest on Working Capital:

2.10.1 No amount under the head interest on working capital was provided in the ARR for 2011 – 2012. But, in the APR for 2011 – 2012, WBSETCL has claimed an amount of Rs. 723.59 lakh as interest on working capital considering rate of interest @ 10.00% on working capital computed on normative basis.

2.10.2 It has been observed that WBSETCL did not make any payment towards interest on working capital vide their submission in form 1.17(b) of Annexure – I. Although an amount of Rs. 199.00 lakh was reflected in Form C towards interest on working capital loan and a part of the same has been allowed under the head temporary accommodation as at paragraph 2.9.5 above as per the submission of WBSETCL. As such, no amount is allowable in APR 2011 – 2012 towards interest on working capital in terms of regulation 5.6.5.2 of the Tariff Regulations, as amended.

2.11 Other Finance Charges:

2.11.1 An amount of Rs. 202.11 lakh was provided under the head in tariff order for 2011 – 2012. In fact, the above amount was admitted by the Commission as per the audited annual reports and accounts 2011 – 2012.

2.11.2 The total amount of expenses claimed by WBSETCL in Form 1.17(c) towards other finance charges is Rs. 206.07 lakh. The Commission, however, considers to admit an amount of Rs. 202.11 lakh in APR 2011 – 2012 of WBSETCL comprising stamp duty/registration fees, service fee/commitment charge and guarantee charges as already indicated in the tariff order 2011 – 2012.

2.12 Depreciation:

2.12.1 An amount of Rs. 12512.90 lakh was actually charged to the profit and loss accounts towards depreciation on assets which is inclusive of Rs. 0.74 lakh



towards depreciation on assets of SLDC as against identical amount allowed in the ARR for the year 2011 – 2012. In regard to the value of fixed assets accounted for and the amount of chargeable depreciation, the statutory auditors made number of adverse comments, especially in regard to non-amortization of the cost of leasehold land etc. In the absence of proper details, the auditors could not quantify the financial implications in this regard. However, as indicated in paragraph 2.2.1, the net prior period adjustment includes under provision of depreciation of previous year amounting to Rs. 84.63 lakh requiring a positive adjustment. Amount chargeable to depreciation during 2011 – 2012 thus comes to Rs. 12597.53 lakh (Rs. 12512.90 lakh + Rs. 84.63 lakh) vide note – 10 of notes to accounts of the audited annual accounts. The Commission, therefore, going by the audited accounts, admits the amount of Rs. 12597.53 lakh charged in the books of WBSETCL including that of SLDC for Rs. 0.74 lakh. It is reiterated that WBSETCL should clear the points of qualifications made by the auditors and reflect the correct position in the accounts for the year 2012 – 2013.

2.13 Advance against Depreciation:

2.13.1 The Tariff Regulations of the Commission provides for allowing advance against depreciation when the amount of annual depreciation falls short of the amount of loan repayment in any financial year. The amount of loan repayment, however, is to be restricted to 1/10th of the principal amount of original loans. An amount of Rs. 2140.47 lakh was allowed to WBSETCL in the ARR for the year 2011 – 2012 under the head.

2.13.2 The original amount of loan vis-à-vis repayment made during 2011 – 2012 as shown by WBSETCL in their application (Form – C) are depicted in the table below:



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Sl. No.	Particulars	Amount (Rs. in Lakh)	
		Principal amount of Original Loan	Repayment made during 2011 - 2012
1	Market Bonds (12%)	5330.00	5330.00
2	WBSETCL Bonds (9.75%)	18300.00	-
3	WBSETCL Bonds (10.29%)	25000.00	-
4	PFC Ltd (9.50%)	4904.00	421.00
5	RECL (11.50%)	67235.00	3561.00
6	L.I.C.I (10.10%)	16365.00	-
7	Corporation Bank (12.15%)	30000.00	-
8	Allahabad Bank (12%)	20000.00	1.00
9	ICICI Bank (12.25%)	9000.00	1000.00
10	Govt. of W.B.(8.50%)	117195.00	4742.00
	Total	313329.00	15055.00

2.13.3 While arriving at the amount of repayment, the amounts of Rs. 1830.00 lakh and Rs. 5044.00 lakh utilized by WBSETCL towards swapping / refinancing of loan and Rs. 587.63 lakh against normative loan have been excluded for obvious reason.

2.13.4 In terms of the Tariff Regulations, the actual admissible amount of advance against depreciation in this regard works out as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
(a)	Repayment of Loans during the year	15055.00
(b)	1/10 th of Principal loan amount of Rs. 313329.00 lakh	31332.90
(c)	Maximum permissible amount of loan repayment restricted to 1/10 th of original principal loan amount.	15055.00
(d)	Depreciation admitted in APR for 2011 – 2012	12596.79
(e)	Allowable advance against depreciation (c-d)	2458.21

2.13.5 The Commission, thus, admits the amount of Rs. 2458.21 lakh in the APR 2011 – 2012 as advance against depreciation.



2.14 Interest Credit:

2.14.1 The actual loan repayment exceeded the amount of depreciation allowed in ARR for 2011 – 2012 and therefore no interest credit is involved in terms of regulation 5.5.3 of the Tariff Regulations.

2.15 Taxes payable under Provisions of Income Tax Act:

2.15.1 WBSETCL has claimed an amount of Rs. 7050.58 lakh on account of income tax in their APR application 2011 – 2012 against an amount of Rs. 4291.47 lakh considered in the tariff order for the year 2011 – 2012. As seen from the audited accounts, the actual provision for the year was needed for an amount of Rs. 4293.89 lakh. WBSETCL did not specify the amount actually paid by it against the actual amount of provisions. It was, however, observed from the Cash Flow Statement for the concerned year certified by the auditors that there had been an outflow of cash by Rs. 7050.58 lakh towards the payment of income tax. The Commission, therefore, admits the claim of WBSETCL upto the actual amount of income tax paid i.e., Rs. 7050.58 lakh in the APR for 2011 - 2012.

2.15.2 WBSETCL is, however, directed to submit copy of assessment order for the year 2011 – 2012 and copies of the challans for deposit of income tax by them for the year in APR petition for the year 2012 – 2013 or onward.

2.16 Reserve for Unforeseen Exigencies:

2.16.1 In terms of regulation 5.11 of the Tariff Regulations, generating companies and the licensees may provide and maintain a reserve up to 0.25% of the value of the gross fixed assets at the beginning of the year annually for dealing with unforeseen exigencies subject to an overall ceiling of 5% of such gross value of



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fixed assets. Accordingly, WBSETCL was allowed the under noted provisions in the tariff since 2006 – 2007:

Year	Order Reference	Amount (Rs. in Lakh)
2006 - 2007	Order dated 26.09.2008 in Case No. APR-5/07-08 (only relating to transmission)	537.20
2007 – 2008	Order dated 28.05.2009 in Case No. APR-10/08-09	590.51
2008 – 2009	Order dated 28.07.2010 in Case No. APR-13/09-10	789.21
2009 – 2010	Order dated 30.08.2012 in Case No. APR-21/10-11	870.73
2010 – 2011	Order dated 19.10.2012 in Case No. APR-26/11-12	1046.59
Total		3834.24

2.16.2 It has been observed in note 3 of the notes to accounts of the audited balance sheet as at 31 March 2012 that total reserve of Rs. 5387.73 lakh had so far been created under the head titled as “Reserve for Unforeseen Exigencies- WBERC”. In regard to investment of the amount of the said reserve, the position is not clear from their audited accounts as there is no investment using the proper nomenclature, excepting a mention as a note under note 3 of the notes to accounts of the audited balance sheet as on 31st March, 2012 that an amount of Rs. 4337.42 lakh was invested in fixed deposits with nationalized banks. In this connection, it is worthy to mention that any interest received from the investment of reserve for unforeseen exigencies should be reinvested and should not be considered as other income. It is evident from note 18 of the notes to accounts that interest earned from bank on fixed deposits during the year 2011-12 is Rs. 310.78 lakh. However, it is observed from their submission under Annexure – II that WBSETCL has so far invested an amount of Rs. 5837.42 lakh in fixed deposits of various banks under the head. WBSETCL is directed to maintain the investment of the matching amount of the fund so far appropriated under the head reserve for unforeseen exigencies in terms of tariff order of this Commission. Income from such investment of reserve for unforeseen exigencies shall also be transferred to reserve for unforeseen exigencies and the same is to



be reinvested for the said purpose and shall be shown separately in the next applications for APR.

2.16.3 In the tariff order for 2011 – 2012 and 2012 – 2013, no amount was allowed under this head in the ARR for all the ensuing years of the third control period to avoid hike in transmission charge which would ultimately affect consumers' tariff of the distribution licensees. The Commission also considers not to allow any amount under this head in APR 2011 – 2012.

2.17 Return on Equity:

2.17.1 It is evident from the balance sheet to accounts of the audited annual report and accounts 2011 – 2012 that no additional equity was contributed during the year 2011 – 2012 and the balance stands at Rs. 110552.00 lakh. It is also seen that the free reserve & surplus at the beginning of the year was Rs. 156391.15 lakh. However, the balance of profit of Rs. 17167.27 lakh available for appropriation being transferred to general reserve has been considered for determination of closing equity base. Thus, Rs. 17167.27 lakh has been considered as actual induction of equity.

2.17.2 It is further evident in note 10 (Fixed Assets) of the notes to accounts of audited annual accounts as well as Form 1.18 of Annexure – I submitted with the APR application 2011 – 2012, that net addition to fixed assets during the year was Rs. 23699.57 lakh out of which Rs. 0.87 lakh is pertaining to SLDC and thus the net addition to fixed assets for WBSETCL other than SLDC comes to Rs. 23698.70 lakh (Rs. 23699.57 lakh – Rs. 0.87 lakh).

2.17.3 The computations of the Equity Base for allowing returns following the methodology specified in Form 1.20(a) of the Tariff Regulations and the amount of returns are shown hereunder:



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Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Actual Equity base at the beginning of the year	
	Share Capital	11052.00
	Free Reserve	156391.15
	Total	266943.15
2.	Admissible equity base at the beginning of the year	134653.47
3.	Addition to Equity base during the year	17167.27
4.	Addition to the Fixed Assets during the year	23698.70
5.	Normative addition to Equity [30% of sl. No. (4) above]	7109.61
6.	Amount to be considered as addition during the year being lower of (3) & (5)	7109.61
7.	Admissible Equity Base at the end of year [7 = (2)+(6)]	141763.08
8.	Average admissible Equity Base [(2+7)/2]	138208.28
9.	Allowable return @ 15.5% on sl. No. (8) above	21422.28

2.18 State Load Despatch Centre Expenses:

2.18.1 An amount of Rs. 1481.49 lakh was considered in the ARR of WBSETCL for 2011 – 2012 towards expenditures of SLDC and an income of Rs. 2004.19 lakh per contra was kept in the tariff order of WBSETCL for 2011 – 2012. The Commission in paragraph 2.3.2 of this order has admitted the employee cost pertaining to salary and terminal benefit of SLDC at Rs. 345.86 lakh. Similarly in paragraph 2.4.3 and 2.12.1 has admitted Rs. 185.64 lakh and Rs. 0.74 lakh respectively on account of operation and maintenance expenses and depreciation in respect of SLDC. It is also seen from note 21 to the accounts that Rs. 667.60 lakh was paid as ULDC charges and the same is considered by the Commission as expenses of SLDC. Thus followings are the amounts of expenditure during the year 2011 – 2012 in respect of SLDC which were reflected in the books of accounts of WBSETCL.

(Rs in lakh)

Sl. No.	Particulars	SLDC expenditures admitted by the Commission
		2011 – 2012
1	Employee cost	345.86
2	Operation and Maintenance Expenses	185.64
3	Depreciation	0.74



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4	ULDC charges		667.60
	Total		1199.84
5	Less:	i) Other Income	184.65
		ii) STOA charges	0.00
	Grand Total		1015.19

2.18.2 The Commission in the tariff order dated 01.12.2012 in case no. TP-50/11-12 in respect of WBSETCL directed WBSETCL to levy SLDC charge @ 0.50 paise / kWh from the licensees using intra-State transmission systems in the State during the year 2011 – 2012. Accordingly, an amount of Rs. 2004.19 lakh was deducted from the ARR for the year 2011 – 2012 in the tariff order of WBSETCL for 2011 – 2012 as income from SLDC charges. Now in this APR for 2011 – 2012 of WBSETCL, the expenditure related to SLDC has been excluded in determining the revised ARR of WBSETCL for 2011 – 2012. Thus the income from charges as considered in the tariff order for 2011 – 2012 is not considered in the APR of WBSETCL for 2011 – 2012.

2.19 Write off of Deferred Revenue Expenses:

2.19.1 As projected by WBSETCL, an amount of Rs. 40.23 lakh was provided in the tariff order for the year 2011 – 2012 towards writing-off of company's preliminary expenses for fees paid to company Law Board for incorporation in installments over 5 years. It had been observed by its auditors that the company changed its earlier policy of writing-off such preliminary expenses in instalments and considered to write-off the entire outstanding balance of Rs. 160.91 lakh in 2008 – 2009 at one go.

2.19.2 The Commission did not consider to allow the write-off at one go and keeps the amount of provisions of Rs. 40.00 lakh in this regard unchanged in APR 2008 – 2009. WBSETCL was advised to prefer the balance claim of Rs. 120.91 lakh equally in 3 instalments in the APR of the coming years. Accordingly, WBSETCL



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has projected Rs. 40.23 lakh in the tariff for 2011 – 2012 towards third and last instalment and the Commission admitted the same. The Commission thus, considers the amount of Rs. 40.23 lakh under this head in the APR for 2011 – 2012 as third and final instalment in settlement of the claim.

2.20 Incentive for Transmission Licensee:

2.20.1 WBSETCL in their application at paragraph (19) in the brief summary of supplementary submissions on APR for 2011 – 2012 and in Form 1.23 of Annexure – I, has mentioned their availability during the year 2011 – 2012 as 99.87%. In this regard, WBSETCL has furnished detailed calculation and computation of availability from SLDC. An amount of Rs. 96.60 lakh has been claimed as incentive as per paragraph 8 of schedule 10 of the Tariff Regulations. The Commission considers to admit the amount of Rs. 96.60 lakh on account of incentive in the APR for 2011 – 2012.

2.21 Charges Payable for Bakreswar and Santaldih Transmission Systems:

2.21.1 WBSETCL is operating the associated transmission system constructed by West Bengal Power Development Corporation Limited (in short 'WBPDC') along with the Bakreswar and Santaldih Power Stations. WBPDC is to recover, the expenditure incurred by them relating to these transmission systems, from WBSETCL in instalments. The amount payable in 2011 – 2012 on this account was Rs. 4673.66 lakh comprising depreciation, interest on borrowed capital and return on equity relating to the associated transmission system of Bakreswar generating station as provided in the tariff order. An amount of Rs. 1769.15 lakh was also payable by WBSETCL to WBPDC during the year 2011 – 2012 on account of recovery of additional fixed cost of the associated transmission system of Bakreswar generating station in instalment as determined in the Commission's order dated 16.01.2009 in case no. OA-48/08-09.



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2.21.2 In the tariff order dated 1.12.2012 in respect of WBSETCL the Commission considered Rs. 5015.59 lakh as actually paid by WBSETCL to WBPDCCL during the year 2011 – 2012 and booked in their annual report and accounts under this head. The balance amount of Rs. 1427.22 lakh (Rs. 4673.66 lakh + Rs. 1769.15 lakh – Rs. 5015.59 lakh) has been considered in the ARR for 2012 – 2013.

2.21.3 The Commission determined the admissible fixed charge of Bakreswar Transmission system for the year 2011 – 2012 at Rs. 3804.47 lakh in the APR order dated 05.09.2013 in case no. APR-31/12-13 in respect of WBPDCCL which is payable by WBSETCL to WBPDCCL.

2.21.4 A further sum of Rs. 1019.41 lakh is also payable by WBSETCL to WBPDCCL on account of Santaldih transmission system. Thus, the amount payable by WBSETCL to WBPDCCL on account of two transmission systems are as under:

Sl. No.	Particulars	Amount in Rs. lakh	
		Bakreswar	Santaldih
1	Interest on loan from Govt. of West Bengal	909.15	0.00
2	Depreciation	1966.67	878.05
3	Return on equity	928.65	141.36
4	Additional recovery in terms of order dated 16.01.2009 in case no. OA-48/08-09	1769.15	0.00
	Total	5573.62	1019.41

2.21.5 Thus, total amount of Rs. 6593.03 lakh (Rs. 5573.62 lakh + Rs. 1019.41 lakh) is payable by WBSETCL to WBPDCCL for the year 2011 – 2012.

2.21.6 As per note – 21 of the notes to accounts of the audited accounts 2011 – 2012, an amount of Rs. 5015.59 lakh was paid by WBSETCL towards transmission charges to WBPDCCL. The Commission admits an amount of Rs. 5015.59 lakh in the ARR of WBSETCL as already explained in para 2.21.2 above. The



Commission now admits the amount of Rs. 5015.59 lakh on account of charges payable to WBPDCCL for Bakreswar and Santaldih transmission systems in the APR for 2011 – 2012 also and the balance amount of Rs. 1577.44 (Rs. 6593.03 lakh – Rs. 5015.59 lakh) will be considered in the APR for 2012 – 2013.

2.22 Charges Payable to Eastern Regional Power Committee (ERPC):

2.22.1 The amount of Rs. 15.00 lakh towards charges payable to Eastern Regional Power Committee (in short “ERPC”) by WBSETCL for which a provision was considered in ARR for the year 2011 – 2012. As per note 21 of the notes to accounts of the audited annual reports and accounts 2011 – 2012, an amount of Rs. 15.00 lakh was paid to ERPC. Thus the Commission admits the amount of Rs. 15.00 lakh in the APR for 2011 – 2012 of WBSETCL.

2.23 Incomes from Non-Tariff Sources:

2.23.1 The incomes derived from other non-tariff sources during the year 2011 – 2012 was Rs. 2223.77 lakh as per note 18 of the notes to accounts of the audited annual accounts of WBSETCL as against Rs. 800.00 lakh considered in the tariff order for the concerned year. Out of Rs. 2223.77 lakh, Rs. 310.78 lakh was relating to interest on fixed deposits against reserve for unforeseen exigencies which in term of the Tariff Regulations is required to be reinvested and is to be excluded from the non-tariff income for the purpose of determination of APR. Hence Rs. 1912.99 lakh (Rs. 2223.77 lakh – Rs. 310.78) is arrived at towards income from non-tariff sources including Rs. 184.65 lakh pertaining to SLDC. As already indicated in paragraph 2.2.1, Rs. 61.46 lakh on account of excess provision of accrued interest income relating to previous year is required to be considered and after adjustment, amount of income from non-tariff sources is determined at Rs. 1851.53 lakh (Rs. 1912.99 lakh – Rs. 61.46 lakh) and the same is admitted by the Commission.



- 2.24 Based on the analyses and admission of the adjustments under different uncontrollable factors / elements of fixed charges, the Commission now proceeds to sum up the findings as to ascertain the total amount adjustable on APR for the year 2011 – 2012. Such summarization is given in the statement in Annexure – 2A to this chapter.
- 2.25 It may be seen from the statement in Annexure – 2A that the net amount of Annual Fixed Cost (AFC) for the year 2011 – 2012 comes to Rs. 81937.06 lakh after deductions of the amounts as specified in paragraphs 2.23 from the gross revenue requirement.
- 2.26 **Income from Short Term Open Access Charges (STOA)**
- 2.26.1 An amount of Rs. 4468.52 lakh was provided in the tariff order for 2011 – 2012 under the above heads. As per note 17 of the notes to accounts of the audited annual report and accounts for 2011 – 2012, the above amount of Rs. 4468.52 lakh was earned by WBSETCL under the head. However, the above amount excludes the amount of Rs. 405.77 lakh towards STOA charges relating to previous year but realized during 2011 – 2012 as prior period income as indicated in paragraph 2.2.1. After adjustment of this amount of Rs. 405.77 lakh with the amount of Rs. 4468.52 lakh, total income from STOA charges is Rs. 4874.29 lakh and is being admitted by the Commission in the APR 2011 – 2012 of WBSETCL.



ANNEXURE – 2A

Amount in Rs. in Lakh

Sl. No.	HEAD OF FIXED CHARGES	As Admitted in APR (including SLDC expenses)		
		WBSETCL	SLDC	TOTAL
1	Employee Cost	11631.12	345.86	11976.98
2	Operation & Maintenance Expenses:			
	Repairs and Maintenance	2628.47	146.27	2774.74
	Administrative and General charges	2298.67	39.37	2338.04
3	Rates & Taxes (Other than on Income & Profit)	403.25	0.00	403.25
4	Insurance Premium	0.29	0.00	0.29
5	Interest on Capital borrowings	15279.97	0.00	15279.97
6	Interest on Temporary Accommodation	169.78	0.00	169.78
7	Interest on Bonds for employees' Terminal Benefit	2295.00	0.00	2295.00
8	Interest on Working Capital	0.00	0.00	0.00
9	Other Finance Charges	202.11	0.00	202.11
10	Depreciation	12596.79	0.74	12597.53
11	Advance against Depreciation	2458.21	0.00	2458.21
12	Charges payable to WBPDCCL on account of Bakreswar & Santaldih transmission systems	5015.59	0.00	5015.59
13	Taxes under Income Tax Act	7050.58	0.00	7050.58
14	Write off of Deferred Expenditure	40.23	0.00	40.23
15	Reserve for Unforeseen Exigencies	0.00	0.00	0.00
16	Returns on Equity	21422.28	0.00	21422.28
17	Incentive for transmission licensee	96.60	0.00	96.60
18	ULDC charges (Refer para 2.18.1)	0.00	667.60	667.60
19	Charges payable to ERPC	15.00	0.00	15.00
20	Gross Revenue Requirement (1 to 19)	83603.94	1199.84	84803.78
	Less:			
21	Income from non-tariff sources	1666.88	184.65	1851.53
22	Interest Credit	0.00	0.00	0.00
23	Aggregate Revenue Requirement (ARR) (20-21-22)	81937.06	1015.19	82952.25



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 As shown at the paragraph 2.25 of the previous chapter, the re-determined amount of fixed charges of WBSETCL for the year 2011 – 2012 comes to Rs. 81937.06 lakh which may be considered as realizable revenue from operation of WBSETCL for 2010 – 2011.
- 3.2 The Commission is now to see how much revenue from operation had been earned by WBSETCL by way of transmission charges and short term open access charges with reference to its audited accounts. It is seen from note 17 to the annual report and accounts 2011 – 2012 that the transmission charge realized during the year 2011 – 2012 was Rs. 67284.35. The Commission in its order dated 1.12.2012 in case no. TP-50/11-12 allowed WBSETCL to recover an amount of Rs. 72591.51 lakh as transmission charge for 2011 – 2012 from its system users and any under recovery for the year 2011 – 2012 had to be realized in 4 instalments during December, 2012 to March, 2013. Thus the amount of Rs. 72591.51 lakh is being considered as revenue earned by WBSETCL as transmission charge for 2011 – 2012. WBSETCL has also earned Rs. 4874.29 lakh on account of short term open access charges during the year 2011 – 2012 as already explained in paragraph 2.26.1 in chapter 2 of this order. The amount of Rs. 4874.29 lakh is also to be considered as revenue income during the year 2011 – 2012. Thus, the total revenue income comes as under.

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Revenue from transmission charged as per note 17 of audited annual reports and accounts of WBSETCL for 2011 – 2012	72591.51
2.	Add: Short term open access charges pertaining to WBSETCL only excluding scheduling SLDC charges (Refer paragraph 2.26.1)	4874.29
3.	Revenue realized from operation for the year 2010 – 2011	77465.80



Order on APR of WBSETCL for the year 2011-12

- 3.3 As it comes out from the findings in paragraph 3.1 and 3.2 above, WBSETCL is to recover an amount of Rs. 4471.26 lakh (Rs. 81937.06 Lakh – Rs. 774565.80 Lakh) as given below:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1.	Approved realizable revenue admitted in APR for 2011 – 2012	81937.06
2.	Actual amount of revenue from operation realized for the year 2011 – 2012 as per paragraph 3.2	77465.80
3.	Additional net revenue amount to be recovered for 2011 – 2012	4471.26

- 3.4 In terms of the Tariff Regulations, the entire recoverable amount of Rs. 4471.26 lakh or a part thereof may be adjusted with the amount of Aggregate Revenue Requirement for the year 2013 – 2014 or that for any other ensuing year or through a separate order, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of WBSETCL for the year 2013 – 2014 or any ensuing year or in a separate order.
- 3.5 WBSETCL is to take a note of this order.

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATED: 09.09.2013