



**ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY  
COMMISSION**

**IN CASE NO.: APR – 35 / 12 – 13**

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

**DATE: 09.09.02013**



## CHAPTER – 1 INTRODUCTION

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- 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, 2011”) the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short ‘APR’). The West Bengal Electricity Regulation Commission (hereinafter referred to as the “Commission”) introduced Multi Year Tariff (in short “MYT”) 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. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, the West Bengal State Electricity Distribution Company Limited (in short ‘WBSEDCL’) submitted their application of APR to the Commission on 15<sup>th</sup> March, 2013 for the financial year 2011 – 2012. It provided the related data / information as required for an APR in the specified proforma along with the copy of its audited annual accounts for the concerned year. The application was numbered as APR-35/12-13.
- 1.2 The instant application of WBSEDCL is their first application for the APR of the third control period. The adjustments, as were found necessary on review of the performance of the previous years, were effected while determining the amount recoverable through tariff during the years following the years of such review. Similarly, the adjustments, as may arise out of the review of the instant application for 2011 – 2012 will be considered for giving effect while determining the amount of revenue recoverable through tariff of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.3 WBSEDCL has submitted their application for Annual Performance Review for 2011 – 2012 in terms of the provision contained in the Tariff Regulations.



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- 1.4 APR is to cover the annual fixed costs and fixed charges that is to be allowed to the licensee as per the Tariff Regulations 2011, amended till date.
- 1.5 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 WBSEDCL through the ARR of the tariff order for the year 2011 – 2012, vis-à-vis the actuals as per the audited accounts. The instant application of WBSEDCL for the year 2011 – 2012 is being viewed in the subsequent parts of this order.
- 1.6 In terms of regulation 2.6.12 of the Tariff Regulations, WBSEDCL submitted a draft gist of the APR application at the time of submission of application for APR for the year 2011 – 2012. The application of APR of 2011 – 2012 of WBSEDCL was admitted by the Commission on 19<sup>th</sup> April, 2013 in Case No. APR-35/12-13. The Commission also approved the gist of the APR application submitted by WBSEDCL. After admission of the application WBSEDCL was directed to publish the approved gist of the application in newspapers and also in their website. Accordingly, the gist of the application was published simultaneously in 'Ananda Bazar Patrika', 'Telegraph', Hindustan Times and Sanmarg on 25<sup>th</sup> April, 2013 inviting objections and suggestions from all interested parties and members of the public. The extended due date for submission of objections and suggestions by the interested parties at the office of the Commission was 27.05.2013.
- 1.7 Objections and suggestions on the application of WBSEDCL for APR in respect of the year 2011 – 2012 were received by the Commission from only one person, i.e., All Bengal Electricity Consumer's Association (ABECA) within the stipulated time i.e. 27<sup>th</sup> May, 2013. The said objections and suggestions on the application, in question, have been dealt with in Chapter – 2.



## CHAPTER – 2 OBJECTIONS

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### **Objections and suggestions against the application of APR for 2011-12 submitted by WBSEDCL**

- 2.0 The stake holder from whom objections and suggestions on the application of APR for 2011 – 2012 of WBSEDCL have been received within the stipulated time is mentioned in Paragraph 1.8 of Chapter-1. The points of objections and suggestions are summarized in subsequent paragraphs of this Chapter along with views of the Commission.
- 2.1 All Bengal Electricity Consumers' Association (ABECA) has submitted their objections and suggestions on the application of APR of WBSEDCL for 2011 – 2012. The objections submitted by ABECA are divided in two parts while in the first part some general issues have been raised by ABECA and in the second part they have submitted point wise objections and suggestions.
- 2.2 In Paragraph 1 and 2 of their submission ABECA has stated that as per clause 2.6.1 of the Tariff Regulations a comparative statement showing the different elements of fixed cost as approved in the tariff order of the concerned year as well as the actual audited figure against such element shall be given by the licensee and as per clause 2.6.9 of Tariff Regulations the scope of Annual Performance Review shall be the comparison of the actual performance of the licensee with approved projection as given in the Tariff Order of the first ensuing year of the control period. It is stated that the APR application of WBSEDCL for 2011-12 does not comply with the above requirement. It is observed from the application of WBSEDCL for APR 2011-12 that WBSEDCL in their petition as well as in Form E(B) to Annexure-1 in Volume- I of their APR application has mentioned both the amount claimed and amount admitted in the tariff order for 2011-12 against each head of expenses. Thus the objection raised by ABECA



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- has no merit. It is also stated that WBSEDCL has submitted their claim after two years which vitiated the basic object and provision of Section 56(2) of the Electricity Act, 2003 (hereinafter referred to as 'Act') and proposed to reject the APR application of WBSEDCL of 2011-12. In this context the Commission feels that as WBSEDCL has submitted the APR application for 2011-12 following the provisions made in Regulation 2.6.9 of the Tariff Regulations within two months from the date of issue of the Tariff Order for 2011-12, the provisions of the Regulations or the Act has not been violated. Regarding the provision of sub-section (2) of Section 56 of the Act as referred by ABECA, it is stated that the referred sub-section is related to disconnection of supply in default of payment of due against any bill raised on him by the licensee and is not relevant in the matter of submission of APR application.
- 2.3 In paragraph 3 of their submission ABECA has stated that though Section 61( C) of the Electricity Act, 2003 mandated the factors which would encourage competition efficiency, economical use of resources, good performance and optimum investment yet it appears from the Tariff Regulations that the Commission fixed the norms in favour of licensee to give incentive and other related benefits. It is also stated that in most APRs the claim of WBSEDCL is found much higher than that admitted in Tariff Order and as a result consumers are to pay more and more tariff with arrear for which consumers are not responsible. ABECA has also opposed this type of APR and suggest to change norms and to follow the provisions laid down in Section 61( c ) of the Act. In this context it is stated that the norms are stipulated in the Tariff Regulations which are framed after inviting suggestions and objections from the public and stake holders. There is no scope to review the norms in the process of APR for any year.
- 2.4 In paragraph 4 of their submission ABECA has stated that in order to bring the transparency in functioning of the Commission as per Section 86(3) in the tariff



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determination and APR of the licensee, public hearing is essential. It is also stated that most of the Regulatory Commissions in India do take recourse of public hearing. Hon'ble Appellate Tribunal for Electricity (in short 'APTEL') also upheld this view in their order dated 4.4.2011 in IA 62 of 2011 in Appeal No. 173 of 2010 in case of Hooghly Chamber of Commerce and Another Vs. WBERC. But WBERC has not yet resumed the public hearing and they hope that WBERC will resume public hearing from now on. Regarding public hearing issues during tariff determination and APR, Commission's views were given in the earlier orders. However, it is further reiterated that in regulation 2.4 of the Tariff Regulations it is clearly spelt out that suggestions and objections shall always mean as submitted in written form only and it has also been clearly spelt out that hearing on invitation of suggestions and objections shall always be in a manner and at a stage which is only specifically provided in the Act and the Regulations made thereunder. Accordingly, any application for APR can be dealt with through invitation of objections and suggestions. Thus the prayer of ABECA for hearing is not maintainable. Regarding the comments of ABECA on Hon'ble APTEL's order dated 04.04.2011 it is stated that the Commission was directed to direct WBSEDCL to file composite tariff application in accordance with Tariff Regulations and to publish the same inviting objections and suggestions from the public. Even in paragraph (2) of the direction it was specifically mentioned that the State Commission shall give reasonable time to file their objections and suggestions. The Commission was never directed through the order to conduct public hearing on the application of WBSEDCL as claimed by ABECA.

- 2.5 In paragraph 5 of their submission ABECA has stated that the Tariff Order for 2011-12 was passed on 1.12.2012 with the date of effect from 1.4.2011. The gist of APR application of WBSEDCL for 2011-12 was published in the daily newspapers in April 2013 and the same will also be effective from 1.4.2011. Thus it will result in huge unnecessary burden on all categories of consumers for which consumers are not responsible. ABECA has also suggested that the Tariff should



- be determined each year and the actuals should be adjusted in the subsequent year immediately after finalization of the audited data and income & expenditure. In this context it is stated that the APR is the review of performance of the licensee on the basis of their audited expenditure under the head of different controllable and uncontrollable items. The adjustable amount after truing up of the admitted expenditure during the year with the revenue recovered through tariff during that year, either be recoverable or refundable. Such adjustable amount may either be adjusted in the ARR of any ensuing year(s) or shall be adjusted through a separate order as may be decided by the Commission.
- 2.6 In paragraph 6, 7 & 8 of their application it is stated by ABECA that WBSEDCL has not furnished all the required documents as per format and as per provision of Tariff Regulations and thus their claim of Rs. 2808.84 Crore is not reasonable. As such they have opposed the claim. Commission's view in this regard has already been given in Paragraph 2.2 of this chapter. However the extent of allowable expenditures against the claim of WBSEDCL is analyzed in subsequent chapters.
- 2.7 In paragraph 9 of the submission, ABECA has stated that in each year tariff determination merged with APR claim of the previous year, so called regulatory asset, enhances tariff every year beyond the affordable capacity of the consumers. As such, ABECA have opposed the enhanced claim of APR of WBSEDCL. Commission's view in this aspect has already been given in para 2.5 above.
- 2.8 Regarding point-wise objection on APR claim of WBSEDCL, ABECA has stated that the amount claimed in revenue requirement form in the APR for 2011-12 and the amount recoverable as per Tariff Order for 2011-12 is in excess of Rs132360.17 lakh against which reasons are not stated and they oppose the claim as that is not reasonable and justified.



2.9 The detailed enhancement of item-wise claims and objections thereon given by ABECA are as follows :

- i) **Salary:** ABECA has stated that increase in claim of WBSEDCL under this head is Rs 285 lakh over that admitted in the Tariff Order and has opposed the increase stating the reasons that there is no case of revision of pay and allowances of the staff during the year. The difference in the claim of WBSEDCL in the APR for 2011-12 and the amount admitted in the Tariff order for 2011-12 under the head “salary” is only 0.3% of the amount admitted in the Tariff Order and as it is an uncontrollable item the Commission considers the same.
- ii) **Cost of outsourcing:** ABECA has stated that increase in expenditure claimed by WBSEDCL under both the head ‘cost of outsourcing man power related in distribution’ and ‘cost of outsourcing excluding man power’ is Rs. 737 lakh and Rs 248.88 lakh respectively and opposed the said claims. The Commission considers the amount claimed by WBSEDCL under the head ‘cost of outsourcing man power related’ for distribution and ‘cost of outsourcing excluding man power’ for distribution and submission made by WBSEDCL as per provisions of the Tariff Regulations.
- iii) **Rates and Taxes:** ABECA has stated that there is an abnormal increase of Rs1287.68 lakh towards claim on account of rates and taxes and thus opposed. The rates and taxes are paid by the licensee to the local bodies as a statutory obligation. The expenditure under the head ‘Rates and Taxes’ is considered by the Commission as uncontrollable item as specified in the Tariff Regulations.
- iv) **Operation and Maintenance (O&M):** It is stated by ABECA that WBSEDCL has claimed an enhancement of Rs 9782.64 lakh under the head O&M





expenditure but their service condition is very bad. According to ABECA load-shedding, low voltage and power breakdown as stated is a regular feature in WBSEDCL's area while O&M cost of WBSEDCL is increasing every year both in tariff and APR and as such ABECA opposes the enhanced cost of Rs 9782.64 lakh under this head. In this context ABECA could not submit any supporting data in support of their claim in services. Moreover, on this issue appropriate remedial measures can be achieved through as mentioned in paragraph 2.12 of this order.

- v) **Interest cost:** ABECA has stated that additional claim of Rs 10223 lakh under this head is not justified as the rate of interest on loan from different sources are continuously decreasing. They have further stated that if WBSEDCL pays the loan amount in due time and switch over the higher cost loan to the lower cost loan then the amount will be reduced. They have also mentioned that whether any benefit comes out of such enhanced interest is not stated anywhere.
- vi) **Interest on Security Deposit:** ABECA has stated that WBSEDCL did not give any interest to the consumers during 2011-12 on Security Deposit. Moreover, WBSEDCL took security deposit from consumers and invested in their business, then why the amount of interest on security deposit will be taken as a cost of electricity. ABECA have opposed the enhanced claim under this head.
- vii) **Depreciation:** ABECA have stated that the enhanced claim of Rs 2530 lakh under this head is not justified as there is a norm of depreciation fixed by WBERC in the Tariff Regulations and the assets are known to WBSEDCL. They have also stated that depreciation cannot be increased to the tune of Rs 2530 lakh without showing any increase in assets with proper justification.



- viii) **Reserve for unforeseen exigencies:** ABECA have opposed the claim and suggested not to allow any amount under this head as this is not a cost at all and cannot be claimed in the APR.
- ix) **Others:** The claim of WBSEDCL of Rs 233 lakh in APR under this head is opposed by ABECA as it was not allowed in the tariff and not a cost at all. It is a vague claim in APR and not consistent with the Acts and Regulations.
- x) **Normative Return:** ABECA has stated that the excess claim in APR over Tariff Order for 2011-12 under this head is Rs 10558.40 lakh which is not justified as because in the period in question the allowed return is consistent with the then base year calculation
- xi) **Special Allocation:** The claim under this head to the tune of Rs 6065.63 lakh in APR has been opposed by ABECA as that is not justified and not a cost at all and was not in the tariff.
- xii) **Carrying Cost:** ABECA have stated that the carrying cost on swap power in APR claim to the tune of Rs 64016 lakh should not be allowed as because it was neither proposed nor admitted in the Tariff Order for 2011-12. On the same reason the total earning cost of Rs 17199.63 lakh should not be allowed, as suggested by them. In this regard it is mentioned that the amount mentioned by ABECA against this head is not correct. However, the carrying cost of swap power claimed by WBSEDCL is Rs 1543.63 lakh only.

Regarding item-wise objection raised by ABECA under item no. (i) to (xii) above, Commission's view is given in the Chapter-3 while determining the allowable expenditure of WBSEDCL under different heads.

2.10 It is stated by ABECA that WBSEDCL has submitted their audited report for 2011-12 where so many auditor's questions and reply of WBSEDCL are given



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and they have suggested for prudence check by the Commission on the audited report. The Commission has gone through the audit observations and taken appropriate decision as and when it was required.

- 2.11 ABECA have also opposed the claim of WBSEDCL in APR for 2011-12 on account of Research and Development as this is not a cost at all as per Electricity Act, 2003. The Commission's views in this regard are given in the next chapter.
- 2.12 ABECA have also stated that as per Annexure-I in Page-35 of the application of WBSEDCL there is a surplus energy during off-peak hours. It is noticed that interruption of power supply together with continuing low voltage and load shedding is a regular feature in WBSEDCL supply area for which consumers are suffering in several ways as stated by them. ABECA have further stated that WBSEDCL is not giving true picture to the Commission and is suppressing the load shedding and low voltage situation before the Commission. In this context it is mentioned that Commission has framed regulation on 'Standard of Performance of the Distribution Licensee relating to the Consumer Services' and the complaints as mentioned by ABECA are to be dealt as per provisions of that Regulations.



## CHAPTER – 3 FIXED CHARGES

- 3.1 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 amounts of actual expenses / charges under such heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed except in the specific cases that has been mentioned in the Tariff Regulations. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actual based on the audited accounts of WBSEDCL is being taken up hereunder one by one.
- 3.2 **Transmission Charges Payable to Central Transmission Utility (CTU):**
- 3.2.1 After making necessary adjustment of timely payment of rebate of Rs. 344.00 lakh from the gross amount of transmission charges of Rs. 17997.00 lakh for the year 2011-12 which is a fixed charge, the net amount of Rs. 17653.00 lakh was paid by WBSEDCL during the year 2011 – 2012 to Power Grid Corporation of India Limited (in short 'PGCIL'), the Central Transmission Utility (in short "CTU"). Besides, WBSEDCL paid Rs. 2600.00 lakh to PGCIL during the year 2011 – 2012 as arrear charges due to rate variation. Thus the total CTU charges paid by WBSEDCL to PGCIL during the year 2011 – 2012 come to Rs. 20253.00 lakh (Rs. 17653.00 lakh + Rs. 2600.00 lakh) and the same amount has been claimed by WBSEDCL in their APR application for the year 2011 – 2012. The Commission admits the said amount of Rs. 20253.00 lakh in the APR for 2011 – 2012 under distribution function.
- 3.3 **System Operation Charges payable to POSOCO:**
- 3.3.1 WBSEDCL paid Rs. 402.00 lakh for the year 2011 – 2012 and Rs. 186.00 lakh on account of arrear due to rate variation totaling to an amount of Rs.



588.00 lakh (Rs. 402.00 lakh + Rs. 186.00 lakh) on account of system operation charges to Power System Operation Corporation (POSOCO) during the year 2011-12. The said amount of Rs. 588.00 lakh which is a fixed cost has now been admitted by the Commission in APR for 2011-12 and the entire amount is allocated to distribution function.

**3.4 Transmission Charges Payable to State Transmission Utility:**

3.4.1 After making necessary adjustment of timely payment rebate of Rs. 1346.00 lakh from the gross fixed charges, the net amount of Rs. 65938.00 lakh was paid by WBSEDCL to West Bengal State Electricity Transmission Company Limited (in short 'WBSETCL'), the State Transmission Utility (in short "STU"), as notified by the State Government under sub-section (1) of section 39 of the Electricity Act, 2003, for the year 2011 – 2012. In the tariff order of WBSETCL for the year 2011-12, the Commission admitted the Annual Transmission Charge (in short 'ATC') of WBSETCL at Rs. 72591.51 lakh which is payable by WBSEDCL as a sole user of the state transmission system. Any under-recovery/ over-recovery for the year 2011-12 are to be recovered by WBSETCL in installments. The amount of Rs. 72591.51 lakh was also considered in the ARR of WBSEDCL on account of STU charges for the year 2011-12. The Commission thus considers STU charges of Rs. 72591.51 lakh claimed by WBSEDCL in their APR application for the year 2011-12 as STU charges. The said amount of Rs. 72591.51 lakh is admitted by the Commission in the APR for 2011 – 2012 and allocated to distribution function.

**3.5 Charges Payable to Eastern Regional Power Committee (ERPC):**

3.5.1 An amount of Rs. 15.00 lakh was paid to Eastern Regional Power Committee (in short "ERPC") by WBSEDCL against the admitted amount of Rs. 15.00 lakh in ARR in the tariff order for 2011-12. WBSEDCL has also claimed Rs. 15.00 lakh under this head in their APR application for 2011 – 2012. The entire amount of Rs.15.00 lakh is admitted in the APR for the year 2011-12 and is allocated to the distribution function.



### 3.6 Employees' Cost:

3.6.1 Employees' costs including the provisions for terminal benefits are the uncontrollable elements of fixed charges. The Commission allowed a total amount of Rs. 90823.00 lakh in the ARR for the year 2011 – 2012 in the tariff order dated 01.12.2012 in respect of WBSEDCL.

3.6.2 WBSEDCL has claimed Rs. 91108.00 lakh on account of employee cost in their APR application for 2011 – 2012. The employee cost of Rs. 91108.00 lakh as claimed by WBSEDCL is inclusive of payment of Rs. 285.00 lakh to the employees related to prior period made in the year 2011-12 for delayed pay fixation.

3.6.3 It is seen from the Note 27 and Note 28 to the audited accounts for the year 2011 – 2012 and the submission made by WBSEDCL that the total amount chargeable to revenue account of WBSEDCL towards employees' cost came to Rs. 91108.00 lakh [ Rs 90823.00 lakh + Rs. 285.00 lakh] including terminal benefit and net of capitalization.

3.6.4 The amount towards employee cost of Rs. 91108.00 lakh is admitted by the Commission in the APR for 2011 - 2012, out of which Rs. 3535.02 lakh is for generation function and Rs. 87572.98 lakh is for distribution function as per allocation given by WBSEDCL.

### 3.7 Operation & Maintenance Expenses

3.7.1 Operation & Maintenance (O&M) expenses generally fall under following two major categories:

- (i) Repairs and Maintenance including Cost of Consumables and
- (ii) Administrative and General Expenses.

3.7.2 Repair and maintenance expenses and administrative and general expenses for distribution and transmission systems are categorized in table 2.5.5-1 of the Tariff Regulations as controllable. The total amount of (O&M) expenses



for distribution function as allowed in the tariff order for the year 2011 – 2012 was Rs. 24850.89 lakh.

3.7.3 While determining the ARR of WBSEDCL for all the ensuing years in the tariff order of the first ensuing year of the third control period i.e. for 2011-12, the Commission admitted Rs. 29101.27 lakh under the head Operation and Maintenance (O&M) expenses for the year 2011 – 2012. In function wise breakup of the O&M expenses the Commission allowed Rs. 4250.38 lakh for the year 2011 – 2012 under the head O&M expenses in a composite manner for generation function as per norms which include the administrative and general expenses and expenses for repair and maintenance in the area of generation segment. Since the O&M expenses under generation was admitted as per norms and as it is a controllable item, the Commission admits Rs. 4250.38 lakh as allowed in the tariff order under the head of O&M expenses for generation function also in the APR for 2011-12 under the head O&M expenses for generation function.

3.7.4 The Commission allowed head wise expenditure of O&M expenses of Rs. 24850.89 lakh under distribution function which include Rs. 16117.98 lakh for repair and maintenance ( in short 'R&M'). It is found from the submission of WBSEDCL that the actual expenses under Repair and Maintenance head in distribution system during the year 2011 – 2012 was Rs. 19324.18 lakh which is higher than that allowed in tariff order. WBSEDCL in their submission has stated that during the year 2011-12 distribution network of WBSEDCL has increased by 14.57%. In the Tariff order for 2011-12, the Commission while determining the allowable expenditure under repair and maintenance head considered the annual growth rate in distribution network in terms of distribution line in ckt-km during third control period in the range of 2% as projected by WBSEDCL in their MYT application. The actual growth in distribution network during the year 2011-12 was 14.57% which is 12.57% more than the admitted annual growth of 2% in the Tariff order for 2011-12 as per projection of WBSEDCL in the MYT application. On such base of Rs. 15421.00 lakh, if we consider the increase of 10% over actual expenditure of 2010 – 2011 as considered in tariff order which includes



inflationary trend also, as well as expansion rate of 14.57% in distribution network then the claimed amount of Rs. 19324.18 lakh in APR for 2011 – 2012 is found to be reasonable and could be passed through subject to conditions as laid down in clause (v) of regulation 2.6.10 of the Tariff Regulations. Accordingly, the Commission considers the expenditure of Rs. 19324.18 lakh under the head of repair and maintenance in the light of clause (v) of regulation 2.6.10 of the Tariff Regulation as follows:

- i) Return on Equity (RoE) for the year = Rs. 52772.00 lakh
- ii)  $N_{UI\_R} = \text{Amount receivable against UI over the year} - \text{Amount payable over the year.}$   
= Rs. 26260 lakh – Rs. 12277 lakh  
= Rs. 13983 lakh

[Note 22 and Note 24 to the Annual Accounts 2011-12 may be referred to]

- iii) Disallowance of excess power purchase cost for distribution loss over normative distribution loss (Refer table under para 2.3.2 of the FPPCA order dated 23.07.2013 in Case no. FPPCA-63/12-13) Rs. 62047.68 Lakh

$$A = \text{Rs. } (52772.00 + 13983.00 - 62047.68) \text{ lakh}$$
$$= \text{Rs. } 4707.32 \text{ lakh}$$

3.7.5 Since the difference between the actual expenditure and the amount admitted in ARR for 2011-12 under this head is Rs. 3206.20 lakh (Rs. 19324.18 lakh – Rs. 16117.98 lakh ) which is less than ‘A’ above the Commission considers it to admit the excess expenditure over the expenditure admitted in ARR under this head. Thus the Commission allows Rs.19324.18 lakh under repair and maintenance head in distribution system. Since excess amount of Rs. 3206.20 lakh has been allowed under the repair and maintenance head, the





Commission can admit further an amount of Rs. 1501.12 lakh (Rs. 4707.32 lakh – Rs. 3206.20 lakh) only in other heads of controllable items in terms of clause (v) of regulation 2.6.10 of the Tariff Regulations wherever applicable. For other heads of O&M expenses in distribution the expenses that have been admitted as controllable item under other heads of O&M expenses are Rs. 354.46 lakh, Rs. 243.01 lakh, Rs. 143.46 lakh, and Rs. 7991.98 lakh against rent, legal charges, audit fee and other administrative and general expenses respectively in the ARR for 2011 – 2012. Being controllable item, the Commission admits the same in the APR for 2011 – 2012 and the total amount of administrative and general charges under (O&M) expenses thus comes to Rs. 8732.91 lakh (Rs. 354.46 lakh + Rs. 243.01 lakh + Rs. 143.46 lakh + Rs. 7991.98 lakh).

3.7.6 Summing up the decision in para 3.7.3, 3.7.4 and 3.7.5 above the O&M expenses of WBSEDCL as found admissible in APR for 2011-12 and function wise breakup of that amount are as below:

Sl. No.	Particulars	As allowed in APR for 2011 -12		
		Generation (Rs. in lakh)	Distribution (Rs. in lakh)	Total (Rs. in lakh)
1	Rent	4250.38	354.46	32307.47
2	Legal charges		243.01	
4	Audit fees		143.46	
5	Other administrative and General expenses		7991.98	
6	Repair & Maintenance		19324.18	
	Total	4250.38	28057.09	

The Commission, thus, admits Rs. 32307.47 lakh as (O&M) expense in APR for 2011 – 2012 against the claim of WBSEDCL for Rs. 34633.50 lakh in the APR application for 2011 - 2012.

Henceforth, the other administrative and general expenses shall include the cost of spot meter reading and billing.



### 3.8 Cost of Outsourcing:

3.8.1 In the tariff order for 2011-12 the Commission admitted Rs. 16135.12 lakh under the head 'cost of outsourcing' in the ARR for 2011-12 against the claim of WBSEDCL for an amount of Rs.16414.24 lakh for the year 2011-12 in their MYT application.

3.8.2 WBSEDCL in their APR application for 2011-12 has submitted the details of the expenditure incurred by them during the year 2011-12 in different sub-heads of outsourcing cost as admitted by the Commission in the Tariff Order for 2011-12. WBSEDCL's submission and decision of the Commission are as follows:

a) Line maintenance (excluding manpower) under distribution head:

As per submission of WBSEDCL the actual expenditure under this head was Rs. 2745 lakh against the admitted amount of Rs. 2647.70 lakh in the tariff order in view of large increase in distribution network and consumer strength. It is seen from the submission of WBSEDCL that the total distribution lines and cables in Ckt-Km at the end of 2010-11 and 2011-12 was 274444.99 and 314430.72. Thus growth in distribution network during the year 2011-12 was 14.57% against the original projection of 2% in tariff order for 2011 – 2012. Though expenditure under this head is a controllable item Commission considers it to view the excess expenditure under this head in terms of clause (v) of regulation 2.6.10 of the Tariff Regulation as already explained in paragraph 3.7.4 above.

As already mentioned in paragraph 3.7.5 above, an amount of Rs. 1501.12 lakh can be allowed under other heads beside repair and maintenance cost in terms of clause (v) of regulation 2.6.10 of the Tariff Regulations.

Since the difference between the actual expenditure and the amount admitted in ARR for 2011-12 under this head is Rs. 97.30 lakh (Rs. 2745.00 lakh – Rs. 2647.70 lakh) which is less than the amount of Rs.



1501.12 lakh as mentioned above the Commission considers to admit the excess expenditure over the expenditure admitted in ARR under this head. Thus the Commission admits Rs. 2745.00 lakh in the APR for 2011-12 under this head in distribution. After admitting the excess amount of Rs 97.30 lakh under this head, the Commission can admit further an amount of Rs. 1403.82 lakh (Rs. 1501.12 lakh – Rs. 97.30 lakh) only in other heads in terms of clause (v) of regulation 2.6.10 of the Tariff Regulations.

b) Sub-station maintenance (excluding) manpower under distribution:

As per submission of WBSEDCL the actual expenditure under this subhead during the year 2011-12 was Rs. 433.00 lakh as against the admitted amount of Rs. 411.40 lakh in the tariff order in view of increase in distribution sub-station with increase in distribution network. It is seen from the submission of WBSEDCL that the total distribution lines and cables in Ckt-Km at the end of 2010-11 and 2011-12 was 274444.99 and 314430.72. Thus growth in distribution network during the year 2011-12 was 14.57% against the original projection of 2% in the tariff order for 2011 – 2012. Though expenditure under this head is a controllable item Commission considers it to view the excess expenditure under this head in terms of clause (v) of regulation 2.6.10 of the Tariff Regulation as already explained in paragraph 3.7.4 above.

As already mentioned in a) above, an amount of Rs. 1403.82 lakh can be allowed under other heads in terms of clause (v) of regulation 2.6.10 of the Tariff Regulations.

Since the difference between the actual expenditure and the amount admitted in ARR for 2011-12 under this head is Rs. 21.60 lakh (Rs. 433.00 lakh – Rs. 411.40 lakh) which is less than the amount of Rs. 1403.82 lakh as mentioned above in (a) the Commission considers to admit the excess expenditure over the expenditure admitted in ARR under this head. The Commission admits the actual expenditure of Rs. 433.00 lakh under this head in APR for 2011-12. After admitting the



excess amount of Rs. 21.40 lakh under this head, the Commission can admit further an amount of Rs. 1382.22 lakh (Rs. 1403.82 lakh – Rs. 21.60 lakh) only in other heads in terms of clause (v) of regulation 2.6.10 of the Tariff Regulations.

c) Man power for line maintenance under distribution:

For operation and maintenance of HT lines under distribution, WBSEDCL has engaged personnel of different categories through outsourcing agencies and wages for such personnel of outsourcing agencies are revised from time to time with the revision of minimum wages by the Govt. as per terms and conditions of the agreement of those outsourced activities. The manpower related expenditure for line maintenance under distribution head during the year 2011-12 was Rs. 2477 lakh as per audited annual accounts for 2011-12 as against the admitted amount of Rs. 2383.70 lakh in the tariff order. The Commission admits the amount of Rs. 2477 lakh in APR for 2011-12 as it is an uncontrollable element as per Tariff Regulations.

d) Manpower for sub-station maintenance under distribution:

For operation and maintenance of distribution sub-station WBSEDCL has also engaged personnel of different categories through outsourcing agencies and wages for such personnel of outsourcing agencies are revised from time to time with the revision of minimum wages by the Govt. as per terms and conditions of the agreement of those outsourced activities. The man power related expenditure for sub-station maintenance under distribution was Rs. 790 lakh as per audited annual accounts and the Commission admits the same in the APR for 2011-12 being an uncontrollable item.

e) WBSEDCL has also engaged outsourcing agencies excluding line maintenance and distribution sub-station maintenance under the following sub-heads and claimed expenditure for those activities in their APR application for 2011-12.



i) Security Expense under distribution:

For guarding of different units of WBSEDCL under distribution, security personnel is deployed through private security agencies and wages of such security personnel is revised from time to time with the revision of minimum wages by the Government as per terms and conditions of the order. The actual expenditure under this sub-head as per audited annual accounts for 2011-12 was Rs. 2288 lakh and the same is admitted by the Commission as an uncontrollable item.

ii) Call Centre (ZCC/CRC) as per SOP Regulation under distribution:

The Commission admitted an amount of Rs. 1342 lakh in the ARR for 2011-12 as expenditure under distribution head of outsourcing for call centre. For operation of call centre (ZCC/CRC) as per requirement of SOP Regulations personnel are engaged in Five ZCC at Kolkata, Burdwan, Midnapore, Baharampur and Siliguri and CCC to man urban areas for 24 hours and rural areas for 16 hours a day through outsourcing agencies and wage of such personnel is revised from time to time with the minimum wages by the Government as per terms and conditions of the order. The actual expenses under this sub-head as per audited annual accounts for 2011-12 was Rs. 1342.00 lakh and the same are admitted by the Commission in the APR for 2011-12 an uncontrollable item.

iii) Mobile Maintenance Service (MCSU) under distribution head:

For maintenance of Mobile Maintenance Service (MCSU) under distribution, WBSEDCL engaged LT maintenance personnel through outsourcing agencies in shifts for Customer Care Centre (CCC) for LT maintenance work in accordance with the SOP Regulations and wages of such personnel is revised time to time with the revision of minimum wages by the Government as per terms and conditions of the order placed with them. The actual expenses for MCSU under distribution as per annual accounts was Rs. 1838.00 lakh during the



year 2011-12 and the same is admitted by the Commission in the APR for 2011-12 being an uncontrollable item.

f) Data Warehousing expenses under distribution head:

In the tariff order for 2011-12 an amount of Rs. 9.00 lakh was admitted by the Commission in the ARR for 2011-12 as expenditure excluding manpower on distribution head of outsourcing for Data Warehouse. As per annual accounts for 2011-12 the actual expenses under the head was also Rs. 9.00 lakh and the Commission admits the same in APR for 2011-12 for distribution function.

g) Back office Job under Distribution head:

In the tariff order for 2011-12 an amount of Rs. 141.00 lakh was admitted by the Commission in the ARR for 2011-12 under this head. The actual expenses as per annual accounts for 2011-12 was also Rs. 141.00 lakh and the Commission admits the same in the APR for 2011-12 for distribution function.

h) Franchisee Cost under distribution head:

For reading, billing and collection of revenue from the consumers of New Town areas, WBSEDCL engaged New Town Electric Supply Company (NTESC), as franchisee and service charges are paid to NTESC based on the collected amount from the consumers of these areas as per terms and conditions of the agreements between WBSEDCL and NTESC. An amount of Rs. 205.36 lakh was considered in ARR for 2011-12 in the tariff order for 2011-12. As per annual accounts for 2011-12 the actual expenses for franchisee charge during the year was Rs. 253.00 lakh. Since the expenditure under this head is a controllable item, the Commission admits the amount of Rs. 205.36 lakh as admitted in the ARR for 2011-12 under this head in the APR for 2011-12 for distribution function.



i) Meter reading job under distribution head:

For meter reading and billing, WBSEDCL has engaged outsourcing agencies viz. a) self help group for meter reading and billing b) agencies for on spot reading and billing and pays service charges to those outsourced agencies as per terms and conditions of the order placed with them. WBSEDCL has also engaged outsourcing agencies for meter reading at all interconnection points of WBSEDCL with other licensees and pays service charge to them. The actual expenses as per annual accounts of WBSEDCL for the year 2011-12 under this head during the year was Rs. 3348.00 lakh as against the amounts of Rs. 3341.00 lakh admitted in the tariff order for 2011-12. The Commission admits Rs. 3341.00 lakh under this head in the APR for 2011-12 under distribution as a controllable item.

j) Bill distribution job under distribution head :

WBSEDCL has engaged outsourcing agencies for delivery of the energy bill and defaulters' notices to the L&MV consumer and pays service charges to those agencies as per terms of the order placed with them. The Commission admits Rs. 1182.00 lakh under this head in the tariff order for 2011-12. The actual expenses during the year were also Rs. 1182.00 lakh as per the audited annual accounts for 2011-12. WBSEDCL in their submission has stated that an amount of Rs. 215.00 lakh relating to collection franchisee has been booked under this head in the annual accounts for 2011-12 inadvertently. WBSEDCL thus claimed Rs. 967.00 lakh in their APR application after deducting Rs 215.00 lakh from the expenditure of Rs. 1182.00 lakh booked in annual accounts 2001-12 under this head. Since the expenditure under this head is a controllable item the Commission admits Rs. 1182.00 lakh in APR for 2011-12 under this head in distribution without deducting the amount of Rs. 215.00 lakh for the time being in order to ensure better visibility in comparison during APR. The anomalies highlighted by WBSEDCL has



been noted by the Commission. WBSEDCL is directed to rectify the anomalies in their annual accounts in the future years.

k) Collection franchisee under Distribution head:

In order to meet the provision of West Bengal Electricity Regulatory Commission (Electricity Supply Code) Regulations, 2007 and to cope up with the increasing number of consumer, WBSEDCL has engaged franchisee for collection of revenue from the consumer, deposit of the collections to the Bank alongwith payment reconciliation. WBSEDCL pays service charges to those agencies on the basis of consumer served. WBSEDCL has also installed teller machine for collection of bill and pays service charges on the basis of number of consumers served to these outsourcing agencies. An amount of Rs. 199.66 lakh was admitted on this account in the ARR of WBSEDCL in tariff order for 2011-12. The actual expenses on this account were Rs. 275.00 lakh as per annual accounts for 2011-12. Moreover, WBSEDCL made submissions that expenditure for an amount of Rs. 215.00 lakh which is related to collection franchisee are added in the expenditure related to bill distribution job which may be included in the expenditure under this head. The deduction of the amount of Rs. 215.00 lakh from the expenditure related to bill distribution job has not been considered in the admitted amount in (j) above for the reasons explained therein. Thus the amount of Rs. 215.00 lakh is not to be added also in the expenditure related to collection franchisee. However the Commission admits Rs. 199.66 lakh in distribution function under this head being a controllable item. As already mentioned in (j) above the anomalies highlighted by WBSEDCL has been noted by the Commission and directed WBSEDCL to rectify the anomalies in their annual accounts in the future years.

3.8.3 Summing up the decisions in para 3.8.1 and 3.8.2 above, the allocable amount under the head of cost of outsourcing thus comes to Rs. 16988.02 lakh [Rs. 8735.00 lakh for cost of outsourcing man-power related + Rs. 8253.02 lakh for cost of outsourcing excluding man-power)] as follows :





Sl. No.	Particulars	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Line maintenance (excluding man-power )	2745.00
2	Sub-station maintenance (excluding man- power	433.00
3	Man-power related cost for line maintenance	2477.00
4	Man-power related cost for Sub-station maintenance	790.00
5	Security Expenses	2288.00
6	Call Centre (ZCC/CRC)	1342.00
7	Mobile Maintenance Service (MCSU)	1838.00
8	Data Ware Housing	9.00
9	Back office job	141.00
10	Franchisee Cost	205.36
11	Meter Reading job	3341.00
12	Bill distribution job	1182.00
13	Collection Franchisee	199.66
14	Total cost of outsourcing [ Sub (1) to (13) ]	16991.02
15	Cost of Outsourcing manpower related [ sub (3) to (7) ]	8735.00
16	cost of Outsourcing excluding manpower [1, 2 and 8 to 13]	8256.02

3.8.4 The Commission admits Rs. 8735.00 lakh under the head 'cost of outsourcing man power related' and Rs. 8256.02 lakh under the head 'cost of outsourcing excluding man power' in the APR for 2011-12 against the claim of WBSEDCL for Rs. 8735.00 lakh and Rs 8386.00 lakh under those heads respectively in their APR application for 2011 – 2012. The entire amount has been considered for distribution function.

### 3.9 Complaint Management Mechanism and Lease Rentals:

3.9.1 The Commission admitted Rs. 412.00 lakh in the ARR for 2011-12 as claimed by WBSEDCL in their Tariff application under the head 'Complaint Management Mechanism' related to their discharge of obligations under West Bengal Electricity Regulatory Commission (Standard of Performance of Licensees Relating to Consumer Services) Regulations, 2010, (in short 'SOP Regulation'). The Commission in the Tariff order for 2011-12 also admitted the expenditure under this head as an uncontrollable item for each year of the third control period and not as a part of 'Administrative and General Expenses'. WBSEDCL has stated in the APR application that the actual



expenditure under this head came to Rs. 296.43 lakh which is included under the head telephone expenses in their Annual Accounts for the year 2011-12. It is also stated by WBSEDCL that the amount has been excluded from the telephone expenditure under other administrative and general expenses and the amount of Rs. 296.43 lakh is claimed in their APR for 2011-12 under the head Complaint Management Mechanism. WBSEDCL has enclosed a certificate from the Chartered Accountant segregating such expenses from the telephone expenses. WBSEDCL in their APR application has also stated that SMS charge for forwarding grievances to Mobile Van has started from the year 2012-13 and WBSEDCL has to bear that charges from 2012-13. Thus the Commission admits the amount of Rs. 296.43 lakh in APR for 2011-12 under the head Complaint Management Mechanism being the expense incurred by WBSEDCL to fulfill the obligation of the above mentioned SOP Regulation. The entire amount is allocated to distribution function.

3.9.2 WBSEDCL has also stated in their tariff application that to set up the complaint management mechanism as per requirement of SOP Regulations, MPLS-VPN (Multi Protocol Level Switching – Virtual Private Network) facility has been introduced in WBSEDCL in 2010 – 2011 for establishing and maintaining the communication net work for the purpose. WBSEDCL has also claimed Rs. 692.00 lakh as per annual accounts for 2011-12 on account of lease rentals for maintaining the MPLS-VPN facility for maintaining the Complaint Management against the amount of Rs. 692.00 lakh admitted in ARR for 2011-12. The Commission in the APR for 2011-12 admits the amount Rs. 692.00 lakh under the head 'Lease Rentals' in distribution.

### 3.10 Insurance Premium:

3.10.1 Insurance expenses have been categorized as a separate and uncontrollable item in the Tariff Regulations. The Commission admitted Rs. 85.73 lakh under the head 'insurance' in the ARR for 2011-12. The actual expenditures totaling to Rs. 88.00 lakh as claimed by WBSEDCL as per their annual accounts for 2011 – 2012 has been admitted by the Commission. The entire amount has been allocated for distribution function as proposed by WBSEDCL in their APR application for 2011-12.



**3.11 Depreciation:**

3.11.1 An amount of Rs. 35789.00 lakh has been claimed by WBSEDCL in their APR application for 2011 – 2012 towards depreciation on fixed assets as against Rs. 33259.30 lakh allowed in the ARR for the year 2011 – 2012. In the tariff order of WBSEDCL for 2011-12, the Commission found that in annual accounts of 2011 – 2012 the amount on the head depreciation was Rs. 34138.00 lakh and directed WBSEDCL to show in their APR application for 2011-12 as to how they had computed the depreciation of Rs. 34138.00 lakh as per annual accounts. WBSEDCL has complied with the direction showing the computation of depreciation in detail in Form- B to Annexure-1, in Volume-I of their APR application.

3.11.2 It is seen from their submission that WBSEDCL capitalized assets of Rs. 41196.00 lakh brought into service in previous year but not added in the fixed assets in the year of operation. WBSEDCL has claimed the depreciation considering those assets in their computation for the year 2011-12. The depreciation so computed for the year 2011-12 came to Rs. 34138.00 lakh. Besides, WBSEDCL has claimed Rs. 1651.00 lakh on account of prior period depreciation for the years 2008-09, 2009-10 and 2010-11 for those assets which came into operation in earlier years but added into fixed assets in the year 2011-12. The Commission decides that since those are added in fixed assets only in 2011-12 the depreciation for the prior period as claimed by WBSEDCL will not be considered in the APR for 2011-12. The Commission thus in the APR for 2011 – 2012 admits an amount of Rs. 34138.00 lakh under the head depreciation as computed for the year for 2011 – 2012 including the depreciation for the year 2011-12 only for the assets added into fixed assets in 2011-12 but came into operation in earlier years. The function wise break-up of the amount allowed in the APR for 2011 - 2012 are found as under:

Sl. No.	Function	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Generation	7210
2	Distribution	26928
	<b>Total</b>	<b>34138</b>



### 3.12 Bad Debts:

3.12.1 It has been observed from the audited accounts for the year 2011 – 2012 that WBSEDCL charged an amount of Rs. 4.00 lakh towards Bad Debts written off. In terms of regulation 5.10.1 of the Tariff Regulations, the Commission may allow such amount on this account as actually had been written off in the latest available audited accounts subject to a ceiling of 0.5% of the annual gross sales revenue. The total sales revenue accounted for during the year 2011 - 2012 was Rs. 1185422.00 lakh out of which Rs.1127120.00 lakh pertained to sales to own consumers. The Commission considers to admit Rs.4.00 lakh in APR for 2011 – 2012 being less than 0.5% of Rs. 1127120.00 lakh, the gross sales revenue during the year, against Rs. 4.00 lakh considered in the tariff order for the year 2011 – 2012 and the entire amount has been considered for distribution function. The claim of WBSEDCL on account of bad debts written off was also Rs. 4.00 lakh in their application of APR for 2011 – 2012.

### 3.13 Interest on Capital Borrowings:

3.13.1 As per note 28 to the Annual Accounts for the year 2011-12, the actual amount of interest on loan paid by WBSEDCL during the year 2011-12 was Rs. 45649.00 lakh (net of capitalization) after making adjustment of interest income of Rs. 363.00 lakh in the year 2011-12 related to prior period. The details of the loan, interest on loan payable during the year as shown in Form-C to Annexure-1 in volume-I of the APR applications are as follows.

Sl. No.	Particulars	Interest (Rs. in lakh)
1	Interest on Bond & Debenture (excluding Pension Bond)	9626.00
2	Interest on State Govt. Loan	18673.00
3	Interest on Loan from Commercial Bank (PNB)	565.00
4	Interest on loan from REC Ltd	5489.00
5	Interest on loan from PFC Ltd	1961.00
6	Interest on short-term loan	10586.00
7	<b>Total</b>	<b>46900.00</b>
8	Less: Interest capitalized	888.00
9	<b>Total Interest payable</b>	<b>46012.00</b>



3.13.2 It is seen from the details as shown above, the total interest payable during the year 2011-12 for an amount of Rs. 46012.00 lakh (net of capitalization) as claimed by WBSEDCL includes interest on short-term loans of an amount of Rs. 10586.00 lakh which is related to Working Capital loan. Thus the interest on capital borrowing payable during the year 2011-12 (net of capitalization) comes to Rs. 35426.00 lakh (Rs. 46012.00 lakh – Rs. 10586.00 lakh). After adjusting the interest income of Rs. 363.00 lakh net interest on capital borrowing works out at Rs. 35063.00 lakh (net of capitalization).

3.13.3 The Commission admits the amount of Rs. 35063.00 lakh on account of interest on capital borrowing in APR for 2011 – 2012. The function wise break-up of the admitted are as under :

Sl. No.	Function	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Generation	10923.73
2	Distribution	24139.27
	<b>Total</b>	<b>35063.00</b>

**3.14 Interest on Pension Trustee Bonds:**

3.14.1 An amount of Rs. 13005.00 lakh, as was provided in the ARR for the year 2011 – 2012 towards interest on 8.5% Pension Fund Bonds, remained unchanged and the same amount is admitted. However, the allocation of aforesaid admitted amount to the generation and distribution functions has been changed as per allocation claimed by WBSEDCL.

Sl. No.	Function	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Generation	650.25
2	Distribution	12354.75
	<b>Total</b>	<b>13005.00</b>



**3.15 Interest on Working Capital:**

3.15.1 In the APR application for 2011-12 WBSEDCL has submitted that the annual requirement of Working Capital as per Tariff Regulations worked out at Rs. 128934 lakh. The security deposit lying with WBSEDCL at the end of the year 2011-12 was Rs. 135151.00 lakh which is found to be sufficient to meet the Working Capital requirement. WBSEDCL did not claim any amount under this head. As already stated in para 3.14.2 of this chapter an amount of Rs. 10586.00 lakh paid against different short-term loans which is related to Working Capital. Since the security deposit held by WBSEDCL was sufficient to meet their normative Working Capital requirement no interest on short-term loan related to Working Capital is admitted by the Commission. Thus no amount is admitted under the head 'interest on Working Capital' in APR for 2011-12.

**3.16 Interest on Consumers' Security Deposit:**

3.16.1 The total amount of consumers' security deposits lying with WBSEDCL as submitted by them was Rs. 135151.00 lakh at the end of the year 2011 – 2012 excluding the security held by the short-term consumers. The actual amount of interest accrued on such security deposits during 2011 – 2012 as per audited accounts was Rs. 9147.00 lakh as against Rs. 2870.44 lakh allowed in the Tariff Order.

3.16.2 ABECA, the objector, has stated that WBSEDCL did not give any interest to the consumers during the year 2011-12 on security deposit and opposed the enhanced claim under this head. ABECA has also stated that WBSEDCL took security and invested in their business and then why the interest on security deposit will be given to them in tariff.

3.16.3 WBSEDCL shall pay the interest on security deposit to the consumers as per provision of the West Bengal Electricity Regulatory Commission (Miscellaneous Provision) Regulations, 2013. Since the security deposit amount is being utilized as Working Capital as confirmed by WBSEDCL and no interest on Working Capital is allowed to WBSEDCL for the year 2011-12



the amount of interest on security deposit accrued as provided in Annual Accounts for 2011-12 and claimed by WBSEDCL, i.e., Rs. 9147.00 lakh is admitted and considered under distribution function in the APR for 2011-12.

### 3.17 Other Finance Charges:

3.17.1 As it comes out from the Note-29 to the audited accounts, total amount of finance charges during the year 2011 – 2012 came to Rs. 560.00 lakh which is admitted for the revenue account as against Rs. 560.00 lakh considered in the ARR in tariff order for the year 2011 – 2012. The function wise breakup of the amounts admitted are as under:

Sl. No.	Function	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Generation	21.00
2	Distribution	539.00
	<b>Total</b>	<b>560.00</b>

### 3.18 Taxes under Income Tax Act:

3.18.1 As it comes out from the Note 32 to the Annual Accounts for 2011-12, an amount of Rs. 2915.00 lakh with the following break-up was provided in the books towards taxes payable under the provisions of Income Tax Act. An amount of Rs. 2915.00 lakh was also considered in the ARR for 2011 – 2012 in the Tariff Order. Break up of the provisions of Tax in the books are as follows:

	Rs. in lakh
Wealth Tax	1.00
Provision for Income Tax	2914.00
Fringe Benefit Tax	0.00
<b>Total:</b>	<b>2915.00</b>

3.18.2 WBSEDCL has claimed the return on equity (ROE) on pre-tax basis. Thus, the Commission does not consider any amount under this head.



3.18.3 WBSEDCL 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.

**3.19 Reserve for Unforeseen Exigencies:**

3.19.1 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 fixed assets.

3.19.2 WBSEDCL has claimed Rs. 3011.00 lakh under this head in the APR application for 2011-12 stating the fact that they have invested Rs. 3011.00 lakh in the fixed deposits of Nationalized Banks as reserve for unforeseen exigencies during the year. Total fund position as stated by WBSEDCL are as under :

Break-up of Reserve for Unforeseen Exigencies for the year 1011-12	
Particulars	Amount (Rs. in lakh)
Reserve for Unforeseen Exigencies ((2006-07)	1638.41
Reserve for Unforeseen Exigencies ((2007-08)	1424.08
Reserve for Unforeseen Exigencies ((2008-09)	2335.47
Reserve for Unforeseen Exigencies ((2009-10)	2542.10
Reserve for Unforeseen Exigencies ((2010-11)	2983.57
Interest till 2008-09	54.63
Interest till 2009-10	279.00
Interest till 2010-11	420.00
Interest till 2010-11 (accrued but not due)	365.00
Less : Refund amount of Reserve for Unforeseen Exigencies for the year 2006-07 to WBSETCL as per APR order of 2008-09	537.20
Less : Interest component of such Refund amount of Reserve for Unforeseen Exigencies for the year 2006-07 to WBSETCL	116.84
Less: Refund of excess amount of Reserve for Unforeseen Exigencies for the year 2008-09 to WBSETCL as per APR order of 2008-09 i.e. (2335.47 lakh – 2280.73 lakh)	54.74
Less : Interest component so included in the Reserve for Unforeseen Exigencies on excess creation of reserve	3.94
Total Reserve for Unforeseen Exigencies upto 2010-11 & Opening Balance of Reserve for Unforeseen Exigencies for 2011-12 as per financial statement 2011-12	11329.54





**Order on APR of WBSEDCL for the year 2011-12**

Reserve for Unforeseen Exigencies (2011-12)	3011.00
Interest Component for 2011-12 (net of accrued but not due of last year)	276.00
Interest Component for 2011-12 (accrued but not due)	681.00
Closing balance of Reserve for Unforeseen Exigencies upto 2011-12 as	15297.54

3.19.3 In the Tariff Order for 2011-12 no amount was allowed under this head in the ARR for all the ensuing years of the third control period in order to have lesser initial impact on tariff increase in view of requirement of large amount of Regulatory release. The Commission also considers not to allow any amount under this head in the APR for 2011-12.

**3.20 Return on Equity:**

3.20.1 Equity base for allowing returns has got two components, i.e., share capital and free reserve. It comes out from the 'Note-2: Reserve & Surplus' in the audited annual accounts for 2011-12 that WBSEDCL had accumulated loss of Rs. 21593.00 lakh and Rs. 21232.00 lakh at the beginning and end of the year 2011 – 2012 respectively. It has, therefore, no free reserve. The equity base of it is only the amounts of share capital.

3.20.2 It is evident from Balance Sheet as at 31<sup>st</sup> March, 2012 that during the year 2011-12, no amount has been added as equity participation by Government of West Bengal. There is no positive contribution from Reserve & Surplus. Thus no amount has been considered as addition to equity base during the year.

3.20.3 It is evident from Note-11 that transfer to fixed assets from capital work-in-progress during the year 2010 – 2011 is Rs. 97302.00 lakh. Since there is no positive contribution from Reserve & Surplus so no equity addition against such addition in fixed asset is considered during the year 2011-12.

3.20.4 The share capital of WBSEDCL at the beginning and at the end of the year 2011-12 was at Rs. 255840.00 lakh as per Annual Accounts for 2011-12. Since there is no equity addition as discussed in paragraph 3.21.3 above the



equity base for allowing returns is considered at Rs. 255840.00 lakh for the year 2011-12.

3.20.5 WBSEDCL has claimed the entire equity as distribution business and computed the Return on Equity as on pre-tax basis in form 1.20 (a) to Annexure-1, Volume1 of the APR application. The Commission considered the returns on the equity base of Rs. 255840.00 @ 20.63% [16.50% / (1-0200078)] on pre-tax basis which comes to Rs. 52772.00 lakh.

3.20.6 The Commission in terms of regulation 5.6.1.1 and 5.6.1.2 of the Tariff Regulations admits Rs. 52772.00 lakh as return on equity to WBSEDCL for the year 2011 – 2012 against the claim of WBSEDCL for Rs. 52772.00 lakh in the APR for 2011 – 2012 subject to adjustment of income tax paid as per assessment order for the year. The entire amount is allocated to distribution function.

### 3.21 **Special Allocation:**

3.21.1 In the tariff order for 2011 – 2012, the Commission allowed Rs. 18424.11 lakh for the year 2011-12 as against the claim of Rs. 18931.00 lakh of WBSEDCL for the year in their MYT application on the following accounts.

- a) Amount paid by WBSEDCL to NTPC in 2011-12 Capacity Charge against additional capitalization for the period 2004-05 to 2010-11 in pursuance to the order of Appellate Tribunal.
- b) The amount payable by WBSEDCL to NTPC for additional cost in the year 2011-12 arising out of the provisional Tariff Order in respect of FSTPS Stage-I & II and Talcher TPS.
- c) The amount payable by WBSEDCL to DVC for additional cost for the period 2007-08 to 2010-11 due to Tariff Order by CERC on Mejia TPS Unit V & VI. In addition there is possibility of additional cost from other power stations of DVC for the period of 2009-14 due to Provisional Tariff Order on this account.



The actual claim on those prior period payments relating to power purchase was taken into consideration in the order on fuel and power purchase cost adjustment for the year 2011-12

3.21.2 WBSEDCL in their APR application for 2011-12 has claimed an amount of Rs. 6065.63 lakh on accumulated loss due to taking over of the assets relating to distribution business of Singur-Haripal Rural Electric Co-operative Society Ltd. (SHRELCOP) by WBSEDCL in terms of the Commission's order dated 28.02.2008. WBSEDCL submitted an application on 01.06.2010 to the Commission claiming to release of such accumulated loss in their tariff. Decisions of the Commission on that application and two other applications on the same issue are pending for want of further information from WBSEDCL. Commission thus decides not to consider any amount under this head in APR for 2011-12.

### 3.22 **Income from Non-Tariff Sources:**

3.22.1 A total amount of Rs. 36266.00 lakh was considered towards the estimated earnings of WBSEDCL from other non-tariff sources and income from investment. In actual, (vide 'Note-22: Other Operating Income' to the audited accounts) total non-tariff income came to Rs. 18697.00 lakh. It also came out from the audited accounts (vide Note-24 thereto) as well as from their submission that WBSEDCL earned an amount of Rs. 25.00 lakh only as dividend income and Rs. 3979.00 lakh as interest from Bank on Fixed Deposit. The interest income of Rs. 3979.00 lakh includes Rs. 957.00 lakh relating to Reserve for Unforeseen Exigencies Fund which is to be added in the fund itself. Thus the income from investment comes to Rs. 3047.00 lakh [Rs. 25.00 lakh + (Rs. 3979.00 lakh – Rs. 957.00 lakh)]. Besides WBSEDCL earned Rs. 5051.00 lakh [Rs. 9055.00 lakh – (Rs. 25.00 lakh + Rs. 3979.00 lakh)] from other business and other general receipts. Thus total other income comes to Rs. 26795.00 lakh [Rs. 18697.00 lakh + Rs. 3047.00 lakh + Rs. 5051.00 lakh].



3.22.2 The amount of such earning of Rs. 26795.00 lakh as is admitted in APR 2011 – 2012 and considered to be deducted from the gross amount of allowable fixed charge. The amount pertains to distribution function.

**3.23 Unscheduled Interchange (UI):**

3.23.1 As per the audited accounts for the concerned year (vide Note No.22 and Note No.25 thereto), the amounts received and paid by WBSEDCL towards unscheduled interchange were as under:

Sl. No.	Particulars	Amount in Rs. in Lakh
1	UI charges receivable during 2011-12 (vide Note No.22 to accounts)	26260.00
2	Less : UI charges payable during 2011-12 (vide Note No.25 to accounts)	12277.00
3	Net UI Charges receivable during 2011-12 (3=1-2)	13983.00

3.23.2 WSEDCL in their APR application for 2011-12 made submission for allowing them to keep the gain from UI during 2011-12 i.e. net UI receivables to off-set the disallowances in power purchase cost on account of higher distribution loss on the ground that WBSEDCL has earned the UI gain through its operational efficiency.

3.23.3 The Commission disallowed Rs. 62407.68 lakh on account of excess power purchase cost due to higher distribution loss than normative distribution loss in the FPPCA [ Order dated 23.07.2013 in Case No. FPPCA-63/12-13]. The return on equity (ROE) admitted to WBSEDCL for the year 2011-12 is Rs. 52772.00 lakh as stated in paragraph 3.21.4 of this chapter. Thus the excess power purchase cost disallowed is more than the ROE admitted for the year. The Commission thus considers to admit the part of net UI receivables for sharing to consumers as per formula specified in regulation 5.17.3 (i) of the Tariff Regulations as follows:



ROE = Rs. 52772.00 Lakh

N\_UI\_R = Net UI amount receivables for the year- Net UI amount  
receivables for the year = Rs. 13983.00 lakh

Excess Power Purchase cost disallowed = Rs. 62407.68 Lakh

Part of Net UI receivable amount entitled for sharing

= ROE+ N\_UI\_R – Excess Power purchase cost  
disallowed

= Rs. 52772 lakh + Rs. 13983 lakh - Rs. 62407.68  
lakh

= Rs. 4347.32 lakh

3.23.4 In terms of regulation 5.17.3 of the Tariff Regulations, the Commission decides to pass on part of net earnings of UI during 2011 – 2012 to the consumers in the APR for 2011 – 2012, though WBSEDCL claimed to retain such earnings by them in their APR application as stated in paragraph 3.23.2 above. Thus the amount of Rs. 4347.32 lakh as computed in paragraph 3.23.3 above is admitted by the Commission as part of Net UI receivables amount entitled for sharing and considered for deduction from gross amount of allowable fixed charge in the APR for 2011-12. The amount is pertaining to distribution function.

### 3.24 Benefits to be passed on to consumers and other licensees:

3.24.1 WBSEDCL made a total purchase (net of CTU Grid Loss of 196.582 MU) of power to the tune of 30100.239 MU (30296.821 MU – 196.582 MU) at a power purchase cost of Rs. 850416.00 lakh. Out of such total purchase, 645.317 MU was sold to persons other than its own consumers and other licensees. Besides, 1402.807 MU was swapped out by WBSEDCL during the year 2011-12. Thus the total quantum of sale to persons other than consumers and licensees and swap out power was 2048.124 MU.[ 645.317 MU + 1402.807 MU] The proportionate purchase cost of energy that is sold to the persons other than consumer and licensee and swap out power was



Rs. 57865.65 lakh (Rs. 18232.14 lakh + Rs. 39633.51 lakh). Commission's order dated 23.07.2013 in Case No. FPPCA -63/12-13 (paragraph 2.2.2.3) may be referred to in this regard.

3.24.2 As mentioned in the earlier paragraph, WBSEDCL sold 645.317 MU of power to persons other than the licensees and its own consumers. The total revenue earned by such sale came to Rs. 19631.00 lakh (vide No.21 to the audited accounts for 2011 – 2012). WBSEDCL also swapped out 1402.807 MU during the year 2011-12 and revenue income from such energy swapped out is Rs. 38671.00 lakh (vide Note No.21 to the audited accounts for 2011-12). So total revenue earned from such sale comes to Rs. 58302.00 lakh (Rs. 19631.00 lakh + Rs. 38671.00 lakh). The gains derived through such sale work out as under:

Sl. No.	Particular	Amount (Rs. in Lakh)
1	Sales Revenue earned	58302.00
2	Less : Cost of power for such sale	57865.65
3	Amount of gains derived by such sale	436.35

3.24.3 In the tariff order for 2011 – 2012, the Commission considered that the benefits from sale of power to the persons other than its own consumers and licensee will be passed on to the consumers of WBSEDCL on actual basis through APR of the concerned year. Now, the amount of gain derived from such sale comes to Rs. 436.35 lakh. The Commission decides to pass 60% of such gain to the consumers though WBSEDCL prayed to pass 58% of such gain to the consumers as is being done in earlier year of 2010-11. Thus the Commission admits 60% share of gains of Rs. 436.35 lakh i.e. Rs. 261.81 lakh is to be passed on to the consumers.

3.24.4 The amount of the share of gains to be passed on to the consumers is now being admitted as Rs. 261.81 lakh in the APR for 2011 – 2012 and the same is allocated to distribution function.



**3.25 Interest Credit:**

3.25.1 In terms of regulation 5.5.3 of the Tariff Regulations, the amount of interest credit deductible from the ARR for 2011-12 works out as under:

Sl. No.	Particulars	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Depreciation	35789.00
2	Loan repayment	23408.00
3	Excess fund (1 – 2)	12381.00
4	Weighted average rate of interest	9.20%
<b>5</b>	<b>Interest credit</b>	<b>1139.05</b>

3.25.2 The total amount of interest credit of Rs. 1139.05 lakh as worked out above is admitted by the Commission and allocated to distribution functions to adjust with the ARR of 2011 – 2012 as against the amount of Rs. 512.79 lakh considered in the ARR for 2011-12 in the Tariff Order.

**3.26 Carrying cost for SWAP Power.**

3.26.1 It is submitted by WBSEDCL that due to variation in demand during different time period of a day as well as in different months or seasons there remains surplus power in different period of a year. In such case if the prevailing sale price in power market is not cost effective, then the surplus power is banked through swap arrangement for effective utilization of the surplus power to reduce the burden of idle capacity charge on the consumers and also to maintain the grid discipline. In the process of banking of surplus power through swap arrangement and getting back such power while there is need, they have to bear the carrying cost for such banked power.

3.26.2 In their APR application WBSEDCL has claimed an amount of Rs. 1543.63 lakh as carrying cost they had to bear for banked power through swap arrangement during the year. The detailed computation of the carrying cost has also been given in their APR applications.



3.26.3 The Commission considered the carrying cost of Rs. 1543.63 lakh as claimed by WBSEDCL and admits the same in the APR for 2011-12 in distribution function.

**3.27 Release of Regulatory Asset:**

3.27.1 In the tariff order of WBSEDCL for the year 2011 – 2012, the Commission released Rs. 45500.00 lakh being a part of regulatory asset of Rs. 125503.86 lakh created in APR for 2010-11 vide order dated 19.10.2012 in Case No. APR-29/12-13. The Commission also considers to release the same amount of Rs. 45500.00 lakh in the APR for 2011-12. Out of the amount of Rs. 45500.00 lakh, Rs. 4417.00 lakh is related to generation function and Rs. 41083.00 lakh is related to distribution function.

**3.28 Carrying cost of regulatory asset:**

3.28.1 WBSEDCL referring the Paragraph 8.2.2 (b) of the Tariff Policy and the order dated 11.11.2011 of the Hon'ble Appellate Tribunal for Electricity in Case No. Op-1 of 2011 has claimed carrying cost on the following regulatory assets on the ground that such cost is an entitled amount to WBSEDCL as a reasonable cost to be recovered.

- a) In the tariff order for 2011-12 the Commission gave directives for recovery of arrear amount in 48 installments. WBSEDCL has claimed carrying cost of Rs. 64016.00 lakh due to delayed recovery of arrears.
- b) In the order dated 17.10.2012 for APR for the year 2009-10 in Case No. APR-20/10-11 and in the order dated 19.10.2012 for APR for the year 2010-11 in Case No. APR-29/12-13 the Commission admitted recoverable amounts of Rs. 122800.69 lakh and Rs. 29477.47 lakh respectively which were not considered in the ARR in the tariff order for 2011-12 and created regulatory assets. As a result WBSEDCL needs to bear carrying cost on these amounts during the year 2011-12. A carrying cost of Rs. 24376.00 lakh has been claimed by WBSEDCL for





the year 2011-12 against that regulatory assets created in the APR for 2009-10 and 2010-11.

- c) The Commission admitted release of Rs. 45500.00 lakh from the regulatory asset of Rs. 125503.86 lakh in the ARR of WBSEDCL for 2011-12. WBSEDCL stated that they had to bear the carrying cost of balance regulatory asset of Rs. 80003.86 lakh and claimed Rs. 7264.00 lakh as carrying cost for the year 2011-12.

3.28.2 It is seen from the computation of carrying cost submitted by WBSEDCL in Annexure-7 of their APR application that WBSEDCL has claimed the carrying cost for arrear recovery as per Tariff Order for 2011-12 in 48 installments as stated in (a) above since 1.4.2011 till completion of recovery in 48 installments. In the context of claim of carrying cost since 01.04.2011, the Commission decides that the claim of WBSEDCL cannot be considered for the period from 01.04.2011 to 01.12.2012 i.e. the date of issuance of the order as the delay in submission of tariff application is on the part of WBSEDCL as they submitted their MYT for the third control period only on 30.03.2012 i.e. after 16 months from the due date of submission. Thus the Commission considers the carrying cost of Rs. 34272.00 lakh for the arrears only for the period from 01.01.2013 i.e. the date of commencement of arrear in installments upto the completion of 48 installments.

3.28.3 As mentioned in (b) of paragraph 3.28.1 above, WBSEDCL has claimed the carrying cost on regulatory asset created in APR order for 2009-10 from 01.04.2010 to 31.03.2012 and on regulatory asset created in APR order for 2010-11 from 01.04.2011 to 31.03.2012 as follows:

Description	Amount (Rs. lakh)	Claim period		Average rate of interest (%)	Carrying cost (Rs. Lakh)
Carrying cost on Regulatory asset as per APR for 2009-10	122801	01.04.2010 to 31.03.2012	2010-11	7.84	9625
			2011-12	9.08	12029
Carrying cost on Regulatory asset as per APR for 2010-11	29978	01.04.2011 to 31.03.2012	2011-12	9.08	2722



3.28.4 The Commission considers the carrying cost on Regulatory asset of Rs. 122801 lakh created as per APR for 2009-10 for the period 2011-12 only as the APR petition was submitted by WBSEDCL within 30.011.2010 as per provision of the Tariff Regulations and the order on APR 2009-10 was to be finalized by the Commission by 01.04.2011. Thus the carrying cost of Rs. 11150.00 Lakh computed @ 9.08% on Regulatory asset of Rs. 122801 lakh for the period 2011 – 2012 only is admitted by the Commission. The carrying cost of Rs. 9625.00 Lakh claimed by WBSEDCL for the period 2010-11 on Regulatory asset of Rs. 122801.00 lakh has not been considered by the Commission due to the reasons stated above.

3.28.5 The carrying cost of Rs. 2722.00 lakh for the period 2011-12 as claimed by WBSEDCL on Regulatory asset of Rs. 29978.00 lakh created as per APR for 2010-11 is not considered by the Commission as the APR for 2010-11 was submitted by WBSEDCL was only on 04.04.2012.

3.28.6 The Commission do not consider the claim of WBSEDCL for carrying cost of Rs. 7264.00 lakh on the balance regulatory asset of Rs. 80003.86 lakh as stated in (c) above as the amount of such release mechanism in number of instalments was initially proposed by the licensee itself after taking into consideration of different aspects.

3.28.7 Summing up the points discussed above in paragraph 3.28.4, 3.28.5 and 3.28.6 above, the Commission admits the carrying cost of Rs. 45422.00 lakh in the APR for 2011-12 and the entire amount is related to distribution function as proposed by WBSEDCL.

Description	Amount in Rs. lakh	
	As claimed by WBSEDCL	As admitted in the APR for 2011-12
a) Carrying cost for delayed recovery of arrears on tariff for the year 2011-12 in 48 instalments	64016.00	34272.00



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b) Carrying cost on recoverable amount as per APR order for 2009-10 and 2010-11	24376.00	11150.00
c) Carrying cost on balance recovery of regulatory asset for 80003.86 lakh	7264.00	0
Total	95656.00	45422.00

**3.29 Other expenses:**

3.29.1 WBSEDCL has claimed in their APR application for 2011-12 an amount of Rs. 233.00 lakh under the head 'Others' on account of loss of materials, compensation paid to staff on injury/death/damages, compensation paid to outsiders on injury/death/damages after adjusting the income relating to prior period. No amount was admitted in ARR in Tariff order for 2011-12. WBSEDCL has booked all those expenditure in the annual accounts for 2011-12 under the head 'Other expenses & provisions'. Since those expenditures are relating to other general expenses those are to be considered in operation and maintenance head which is a controllable item and no amount was admitted in the ARR under this head separately, the Commission decides not to admit any amount under this head in the APR 2011-12.

**3.30 Research and Development expenses:**

3.30.1 WBSEDCL in their APR application for 2011-12 has claimed an amount of Rs. 48.54 lakh incurred by engaging agency for survey on consumer satisfaction under Research and Development head. Since these expenditures are relating to administrative and general expenses that are to be considered in operation and maintenance head which is a controllable item and no amount was admitted in the ARR under this head separately, the Commission decides not to admit any amount under this head in the APR 2011-12.



**3.31 Rates & Taxes:**

3.31.1 WBSEDCL has claimed Rs. 1385.00 lakh under the head rates and taxes as against the admitted amount of Rs. 97.42 lakh in the ARR for 2011-12. The Commission admits the actual expenditure of Rs. 1385.00 lakh under this head in APR for 2011-12 with a functional breakup of Rs. 20.00 lakh in generation and Rs. 1365.00 lakh in distribution

**3.32 Allowable Fixed Charges in APR for 2011 – 2012:**

3.32.1 Based on the foregoing analyses, the total amount of fixed charges allowable separately for generation and distribution functions of WBSEDCL has been shown in Annexure 3A. As may be seen there-from, the allowable fixed charges come as under:

SI. No.	Function	Admitted amount in APR for 2011-12 (Rs. in lakh)
1	Generation	31027.38
2	Distribution	409899.50
	<b>Total</b>	<b>440926.88</b>



## ANNEXURE – 3A

STATEMENT SHOWING ADJUSTMENTS ON ANNUAL PERFORMANCE REVIEW (APR)				
Sl. No.	PARTICULARS	Figures in Rs. Lakh		
		AS ADMITTED IN APR FOR 2011-12		
		GENERATION	DISTRIBUTION	TOTAL
1	Transmission charges to WBSETCL (STU)	0.00	72591.51	72591.51
2	Transmission charges to PGCIL (CTU)	0.00	20253.00	20253.00
3	System operation charges to POSOCO	0.00	588.00	588.00
4	Fees / Charges to ERPC	0.00	15.00	15.00
5	Employee Cost	3535.02	87572.98	91108.00
6	Cost of Outsourcing manpower related	0.00	8735.00	8735.00
7	Cost of Outsourcing excluding manpower	0.00	8256.02	8256.02
8	Operation & Maintenance (O&M) Charges	4250.38	28057.09	32307.47
9	Complaint Management Mechanism	0.00	296.43	296.43
10	Rates and Taxed	20.00	1365.00	1385.00
11	Insurance Premium	0.00	88.00	88.00
12	Interest on Capital Borrowings	10923.73	24139.27	35063.00
13	Interest on Pension Bonds for pension fund	650.25	12354.75	13005.00
14	Interest on Consumer Security Deposits	0.00	9147.00	9147.00
15	Other Finance Charges	21.00	539.00	560.00
16	Interest on Working Capital	0.00	0.00	0.00
17	Lease rental	0.00	692.00	692.00
18	Depreciation	7210.00	26928.00	34138.00
19	Bad Debt	0.00	4.00	4.00
20	Special Allocation relating to earlier year	0.00	0.00	0.00
21	Tax under Income Tax Act	0.00	0.00	0.00
22	Returns	0.00	52772.00	52772.00
23	Reserve for Unforeseen Exigencies	0.00	0.00	0.00
24	Carrying cost for swap power		1543.63	1543.63
25	Release of Regulatory Asset	4417.00	41083.00	45500.00
26	Carrying cost of Regulatory asset	0.00	45422.00	45422.00
<b>27</b>	<b>Gross Fixed Charges</b>	<b>31027.38</b>	<b>442442.68</b>	<b>473470.06</b>
	Less: Adjustments			
28	a Income from Investment	0.00	26795.00	26795.00
	b Other Non-Tariff Income			
	d Benefits to be passed on to consumers and other licensee	0.00	261.81	261.81
	e UI Charges	0.00	4347.32	4347.32
	f Interest credit	0.00	1139.05	1139.05
		Sub-total	0.00	32543.18
<b>29</b>	<b>Net fixed charges (27-28)</b>	<b>31027.38</b>	<b>409899.50</b>	<b>440926.88</b>



## CHAPTER – 4 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 4.1 As shown at the concluding paragraph of the previous chapter, the re-determined allowable fixed charges for generation and distribution functions including retail selling activities of WBSEDCL for the year 2011 – 2012 come as under.

Particulars	Amount (Rs. in Lakh)
Generation Function	31027.38
Distribution Function	409899.50
<b>Total</b>	<b>440926.88</b>

- 4.2 As per audited statement of operating revenue of WBSEDCL for the year ended 31.03.2012, the amount, realized from sale of energy to consumers and the licensees, is Rs. 1088793.00 lakh. The sales revenue earned by WBSEDCL during the year was found as under:

Particulars	Revenue (Rs. in Lakh)
Revenue from sale of power as per Schedule – 16 of Statement of Accounts	1147095.00
Less: Revenue recovered from sale to persons other than to consumers and licensees + swap out power	58302.00
Revenue from sale of Energy to own consumer and other licensees	1088793.00

- 4.3 In the APR order for 2010-11, Commission considers Rs. 46907.00 lakh being the arrear realizable in 2011-12 due to re-determination of tariff for the year 2010-11 by the Commission on 31.12.2011 as sale revenue for 2010-11 though not accounted for in the Annual Accounts for 2010-11 as per submission of WBSEDCL to reduce the impact of APR on the consumers. Now, the amount of Rs. 46907.00 lakh realizable in 2011-12 already considered in sale revenue for



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- 2010-11 in the APR order for 2010-11 is to be deducted from the sale revenue of Rs. 1088793.00 lakh as computed above.
- 4.4 WBSEDCL in their APR application for 2011 – 2012 has stated that in view of determination of tariff for the year 2011 – 2012 by the Commission on 01.12.2012, an arrear amounting to Rs. 180418.00 lakh (includes subsidy of Rs. 28924.00 lakh receivable from the State Government) has been accrued which is realizable through subsequent energy bills in 48 monthly installments from the consumers of WBSEDCL against sale of power during the years 2010 – 2011 on account of tariff difference. WBSEDCL has stated to consider the said arrear revenue amount of Rs. 180418.00 lakh as income for the year 2011 – 2012 in the APR for 2011 – 2012 in order to reduce the impact of APR on the consumers. A disclosure in this regard will be given in the annual accounts for the 2012 – 2013.
- 4.5 The amount of total allowable variable costs for the year 2011 – 2012, as determined in paragraph 2.5.1 of order on Fuel and Power Purchase Cost Adjustments (vide Order dated 23.07.2013 in Case No. FPPCA-63/12-13) is Rs. 757138.10 lakh. The function-wise break-up of this total amount of Rs.757138.10 lakh is as follows:

	<b>Rs. in Lakh</b>
Generation	61.43
Distribution	757076.67
<b>Total:</b>	<b>757138.10</b>

- 4.6 In the tariff order for 2012 – 2013, the Commission adjusted Rs. 4000.00 lakh in the ARR for 2012 – 2013 from the recoverable amount of Rs. 122800.69 lakh determined in APR for 2009 – 2010 and created a regulatory asset of balance amount of Rs. 118800.69 lakh. The Commission now considers to release Rs. 24239.02 lakh from the balance regulatory asset of Rs. 118800.69 lakh on APR for 2009-10 created in the tariff order for 2012-13. After release of such regulatory asset, the balance of the regulatory asset on APR for 2009-10 will be



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Rs. 94561.67 lakh. The other regulatory assets as created in the tariff order for 2012-13 will remain same.

- 4.7 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2011 – 2012 works out as under:

Sl No	Particulars	Total (Rs. in Lakh)
1	Variable cost allowed (vide paragraph 4.5)	757138.10
2	Allowable net fixed cost (vide paragraph 4.1)	440926.88
3	Total realizable sales revenue [3 = (1 + 2)]	1198064.98
4	Total realizable amount for 2011 – 2012	1198064.98
5	Less : Actual Revenue realized during the year (vide paragraph 4.2)	1088793.00
6	Add : Arrear revenue realized in 2011-12 but considered in APR for 2010-11 vide paragraph 4.3	46907.00
7	Less: Arrear revenue to be realized in 2012 – 2013 onwards 2011-12 (vide paragraph 4.4)	180418.00
	Add : Release of Part Regulatory asset of Rs. 24242.02 lakh (vide para 4.6)	24239.02
9	Net amount recoverable [(8) = (4) - (5)+(6)-(7)+(8)]	0.00

- 4.8 Thus no amount is required to be adjusted with the amount of Aggregate Revenue Requirement of WBSEDCL for the year 2013 – 2014 on account of APR for 2010-11. The decision of the Commission regarding release of balance regulatory asset will be given in the tariff order of WBSEDCL for the year 2013 – 2014 or that for any other ensuing year or in a separate order.

- 4.9 WBSEDCL is to take a note of this order.

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

**Sd/-  
(PRASADRANJAN RAY)  
CHAIRPERSON**

**DATE: 09.09.2013**