



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
IN
CASE NO: TP-38/08-09**

FOR DETERMINATION OF WHEELING CHARGES PAYABLE TO DURGAPUR PROJECT LIMITED FOR THE USE OF ITS DISTRIBUTION SYSTEM FOR CONVEYANCE OF ELECTRICITY BY OPEN ACCESS CUSTOMERS INCLUDING CAPTIVE GENERATING PLANTS DURING THE FINANCIAL YEAR 2008-09 UNDER SECTION 62 (I) (C) OF THE ELECTRICITY ACT, 2003 READ WITH SCHEDULE-4 TO THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2007 AND THE WEST BENGAL ELECTRICITY REGULATORY COMMISSION (OPEN ACCESS) REGULATIONS, 2007.

DATE: 04.12.2008



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of regulation 2.1.1(iv) of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007, referred as the Tariff Regulations in short hereinafter, the Commission is required to determine the wheeling charges payable to the distribution licensees for the use of their distribution system and associated facilities for conveyance of electricity by all the open access customers during a financial year. Such wheeling charges are to be determined on the basis of the applications of the licensees for determination of tariff in accordance with the aforesaid Tariff Regulations. Accordingly, the Commission proceeds to determine the wheeling charges payable to the Durgapur Projects Limited, referred as “DPL” hereafter, by the open access customers including the captive generating plants during the financial year 2008-09 based on the Tariff Application made by it.
- 1.2 At page 29 in volume II of its application for determination of tariff for the financial year 2008-09, DPL projected direct fixed charges of Rs 6514.61 lakh attributable to its distribution system. The estimated allocable over head charges have been provided in the schedule of centrally maintained expenses in specified proforma.
- 1.3 The Commission has taken up the matter relating to determination of the average unit rate of recovery of fixed charges attributable DPL's distribution system in accordance with the principles, terms and conditions laid down in Schedule-4 to the Commission's referred Tariff Regulations, 2007.



CHAPTER – 2 DETERMINATION OF FIXED CHARGES RELATING TO DISTRIBUTION FUNCTION

2.1 DPL is a distribution licensee having generating station with de-rated installed capacity of 701 MW in operation during 2008-09. The admissible fixed charges of DPL under certain heads of accounts are, therefore, required to be allocated to generation and distribution functions on some rational basis. After prudent analysis of the projections made by DPL and considering the allocation of charges common for both the functions, a gross amount of Rs 6108.56 lakh is found attributable to its distribution function for the year 2008-09. The Tariff Regulations of the Commission provides for the adjustment of the under or over recovery of fixed charges through tariff on Annual Performance Review (APR) based on the audited accounts of the licensees. On such review pertaining to the financial year 2006-07, an amount of Rs 215.22 lakh was found adjustable towards excess recovery of fixed charges relating to distribution function. The amount of gross fixed charges attributable to distribution function, after carrying out such adjustment on account of APR, comes to Rs 5893.34 lakh with following head wise break-up.

Rs in lakh

i)	Employee cost (including overhead)	618.12
ii)	Repairs & Maintenance	535.86
iii)	Other Administration & General Expenses	297.62
iv)	Interest on borrowed capital	1850.00
v)	Interest on consumers' security deposits	24.72
vi)	Other finance charges	152.35
vii)	Depreciation	557.11
viii)	Write off of intangible assets	1.00
ix)	Reserve for unforeseen exigencies	28.62
x)	Provisions for Doubtful Debts	503.00
xi)	Return on Equity	1540.16
	Total	6108.56
	Less Adjustment on Annual Performance Review in respect of 2006-07	215.22
	Gross fixed charge attributable to distribution function	5893.34



2.2 The amount of fixed charges as shown above is inclusive of expenses incidental to retail selling and distribution of energy. Item no. 2.1 of the Schedule - 4 to Commission's Tariff Regulations provides for deduction of such retail selling expenses and charges incidental to that from the gross amount of fixed charges attributable to distribution function before ascertaining the wheeling charges payable by the open access customers. DPL could not properly segregate such expenses. The expenses relating to retail sales are generally recouped by the licensee through recovery of various service charges and meter rentals from its consumers. In the absence of proper details in regard to selling expenses, the Commission decides to deduct the entire estimated amount of Rs 153.57 lakh of other income of DPL from different non-tariff sources relating to distribution function from the above gross amount for the computation of the rate of wheeling charges. The amount of provisions for bad and doubtful debts as well as the amount of interest payable to consumers' security deposits are also considered incidental to retail sale of electricity.

2.3 Based on the foregoing analyses. The net amount of fixed charges attributable to the distribution function of DPL for the year 2008-09 for determination of the rate of wheeling charges payable by the open access customers including the captive generating plants comes as under:

				Rs in lakh
i)	Gross fixed charges			5893.34
ii)	Less			
	(a)	Income to be derived from other non-tariff sources	153.57	
	(b)	Provisions for bad/doubtful debts	503.00	
	(c)	Interest on consumers security deposits	24.72	681.29
	Net admissible amount of fixed charges for determination of the rate of wheeling charges			5212.05

2.4 The average rate of recoverable wheeling charge comes to 13.89 paise per unit (kWh) taking estimated sale of 3753.382 MU (including 1620.060 MU to WBSEDCL and 40.000 MU for inter-plant transfer).



CHAPTER – 3 ORDER

- 3.1 The average rate of fixed charges attributable to the distribution system of DPL comes to 13.89 paise per unit (kWh) as shown in the previous chapter and the same is considered to be the rate of wheeling charge for long-term open access customers. Based on this average rate and in terms of provisions contained in paragraph 14.3.2 of West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007, the Commission is fixing the rate of wheeling charges to be recovered by DPL during 2008-09 from the different categories of open access customers including captive generators for conveyance of electricity through its distribution system. The Commission feels the necessity of adequately incentivising the captive generators with co-generation and generations from the non-conventional/renewable energy sources allowing them to pay @ 1/3rd (one-third) of the rate chargeable to the open access customers generating from other sources.
- 3.2 Accordingly, the Commission fixes rate of wheeling charges as under:

Category of Open Access customers	Wheeling Charge (paise/kWh)	
	Long-term customers	Short-term customers
(a) Open Access customers generating energy from sources other than co-generation and non-conventional/renewable energy sources	13.89	11.11
(b) Open access customers generating energy from co-generation and non-conventional/renewable energy sources (one-third of the rate under (a))	4.63	3.70

- 3.3 In terms of provisions contained in paragraph 14.3.10 of the Commission's referred Open Access Regulations, 2007, the open access customers, other than those carrying the electricity generated in captive generating plant to the destination and for the extent of their own use, are to pay cross-subsidy sur-charge in addition to the charges for using the distribution system of the licensees. Such cross subsidy sur-charge will be the difference between the tariff applicable for the category of the consumers being allowed open access and the cost avoided (per unit) by the licensee in this regard.



Order on Wheeling Charges of DPL for 2008-09

The avoidable cost as computed in terms of formula provided in the referred paragraph of the concerned Regulations, in the case of DPL works out as under:

(a) Total fuel and power purchase variable cost		Rs 48865.61 lakh
(b)	<u>Million Units</u>	
(i) Sent-out energy from own generation	3839.370	
(ii) Purchase of electricity	50.000	
Total	3889.370	
(c) Weighted average unit cost of pooled electricity (a/b)		Rs 125.64 paise/kWh
(d) Distribution loss allowed to DPL		6.10%
(e) Avoidable cost of DPL will be:		

$$\frac{125.64 \text{ paise/kWh}}{(100-6.10) \times 0.01} + \text{Wheeling Charge per unit applicable to the relevant Open Access case.}$$

Or 133.80 paise/kWh + Wheeling charges per unit as applicable.

- 3.4 DPL will determine the avoidable cost for the concerned open access customers as per computations shown in (e) above and will recover cross subsidy sur-charge with reference to the tariff chargeable to the concerned customers if they opt for open access.

Sd/-
(R. P. SAMADDAR)
MEMBER

Sd/-
(PRITITOSH RAY)
MEMBER

Sd/-
(PRASAD RANJAN RAY)
CHAIRPERSON

Dated: 04.12.2008