



**TARIFF ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

**FOR THE YEAR 2014 – 2015**

**IN**

**CASE NO: TP – 60 / 13 - 14**

**IN RE THE TARIFF APPLICATION OF THE WEST BENGAL  
STATE ELECTRICITY TRANSMISSION COMPANY LIMITED  
FOR THE YEARS 2014 – 2015, 2015 – 2016 AND 2016 – 2017**

**UNDER SECTION 64(3)(a) READ WITH  
SECTION 62(1) OF THE ELECTRICITY ACT, 2003**

**DATE: 04.03.2015**



## CHAPTER - 1 INTRODUCTION

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- 1.1 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”), a statutory body under the first proviso to section 82(1) of the Electricity Act, 2003 (hereinafter referred to as the “Act”), has been authorized in terms of the section 86 and section 62(1) of the Act to determine the tariff for a) supply of electricity by a generating company to a distribution licensee, b) transmission of electricity, c) wheeling of electricity and d) retail sale of electricity, as the case may be, within the State of West Bengal.
- 1.2 The West Bengal State Electricity Transmission Company Limited ( in short ‘WBSETCL’) is deemed to be a licensee under the jurisdiction of the Commission in terms of fifth proviso to Section 14 of the Act. The area of operation for WBSETCL covers the whole of the State of West Bengal. In exercise of powers conferred under Sub-section 1 of Section 39 of the Act, the Govt. of West Bengal has notified and authorised vide No.89-PO/O/III/3R-5/2007 dated 26.3.2007 West Bengal State Electricity Transmission Company Limited to function as State Transmission Utility w.e.f 1.4.2007.
- 1.3 West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 has come into effect with effect from 29<sup>th</sup> April, 2011. The said Tariff Regulations, 2011 was further amended by notifying the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) (Amendment) Regulations, 2012 in the extra ordinary edition of The Kolkata Gazette dated 27<sup>th</sup> August, 2012 and West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) (Amendment) Regulations, 2013 in the extra ordinary edition of The Kolkata Gazette dated 30<sup>th</sup> July, 2013.
- 1.4 In terms of West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time



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(hereinafter referred to as the 'Tariff Regulations'), the tariff application for the fourth control period consisting of the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 under Multi Year Tariff (MYT) framework was required to be submitted by WBSETCL 120 days in advance of the effective date of the said control period. The effective date of the fourth control period is 1<sup>st</sup> April, 2014. WBSETCL submitted an application on 29.11.2013 for extension of date for submission of their MYT application for the fourth control period upto 31.12.2013 on the plea that the finalization of the perspective plan undertaken in consultation with other utilities in the State took some time. The Commission, after considering the application of WBSETCL and also the applications received from the distribution licensees and the generating company in the State for extension of time of submission of MYT application, decided to fix the last date of submission of MYT application for the fourth control period on 31.12.2013 and accordingly issued an order dated 02.12.2013. WBSETCL, however, submitted another application on 30.12.2013 for further extension of time upto 15.01.2014 on the plea that the implication of the tariff order for 2013 – 2014 issued by the Commission on 26.12.2013 on the tariff projection for the fourth control period was required to be examined. The Commission vide order dated 31.12.2013 further extended the date of submission of MYT application for the fourth control period upto 15.01.2014. WBSETCL submitted another application on 15.01.2014 for further extension of time upto 15.02.2014 without any specific reasons but with the submission that due to unavoidable circumstances, a little more time was required by them to finalize their tariff petition, which was not accepted by the Commission and the same was communicated to them vide letter dated 15.01.2014. WBSETCL had failed to submit their MYT application within 15.01.2014. WBSETCL further prayed for extension of time upto 15.02.2014 vide their petition dated 24.01.2014 with the submission that it became necessary for them to scrutinize the tariff petition before submitting it to the Commission in view of the suggested modification of some elements of budget in the Budget



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- Committee meeting of the company held on 22.01.2014, which was also not accepted by the Commission. The Commission vide letter dated 24.01.2014 communicated WBSETCL that no further time was allowed to them as communicated vide letter dated 15.01.2014 to submit their MYT application for the fourth control period. WBSETCL submitted their MYT application for the fourth control period on 30.01.2014. The application is for determining the revenue requirements for transmission charges for three ensuing years 2014 – 2015, 2015 – 2016 and 2016 – 2017 of fourth control period under MYT framework. On scrutiny, it was found that some of the data forms and documents were required to be submitted by WBSETCL which were submitted by WBSETCL on 17.02.2014 and 21.02.2014. WBSETCL, however, submitted a supplementary petition on 24.02.2014 with revised revenue requirement of WBSETCL for all the three years i.e., 2014 – 2015, 2015 – 2016 and 2016 – 2017 under the fourth control period. WBSETCL also submitted further information on 05.03.2014 and 13.03.2014.
- 1.5 The tariff application submitted on 30.01.2014 along with the information / data documents submitted on 17.02.2014 and 21.02.2014, the supplementary application submitted on 24.02.2014 and further information submitted on 05.03.2014 and 13.03.2014 were admitted by the Commission in case No.TP-60/13-14. After admission of the same, WBSETCL was directed to publish the gist of the tariff application as approved by the Commission in newspapers and also in the website of WBSETCL in terms of the provisions of the regulation 2.7.3 of the Tariff Regulations. The gist of the petition was published in 'Ei Samay', 'Bartaman', 'The Financial Express' and 'The Times of India; on 23<sup>rd</sup> April, 2014. The gist along with the tariff application was also posted in the website of WBSETCL.
- 1.6 The application invited the attention of all interested parties, stake holders and members of the public to the tariff application of WBSETCL and requested for



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submission of suggestions, objections and comments, if any, on the tariff application to the office of the Commission by 16.05.2014. Opportunities were also offered to all for inspection of the application and take copies thereof. Some correspondences were also made with WBSETCL which were also published in the website of the Commission from time to time. The last date of submission of suggestions and objections were, however, extended upto 26.05.2014 considering the prayer of Hooghly Chamber of Commerce and Industries for extension of time.

- 1.7 The suggestions and objections on the tariff application of WBSETCL were received only from Hooghly Chamber of Commerce and Industries (in short 'HCCI') at the office of the Commission within the stipulated date i.e., 16.05.2014. The suggestions and objections of HCCI have been recorded in a summarized form in Chapter 3 of this order.
- 1.8 The Commission determines the tariff in accordance with the Electricity Act, 2003 and the Tariff Regulations framed thereunder and for this purpose, the Commission has examined the expenditure for 2013 – 2014 to arrive at the estimated expenditure / cost under different heads for the years 2014 – 2015 to 2016 – 2017.
- 1.9 The estimates made for 2013 – 2014 by the Commission shall not be construed by WBSETCL as admission of at least such estimated amount in APR for 2013 – 2014. On the other hand, if in APR any deduction is made then as a conclusion from such decision one shall not expect that the impact of such deduction is to be continued in fourth control period as this will tantamount to imposing a penalty for infinite nature or double penalty for the same inefficiency.



## CHAPTER - 2 THE CASE OF THE WBSETCL

- 2.1 In its tariff application for the third control period comprising the financial years 2014 – 2015, 2015 – 2016 and 2016 – 2017, WBSETCL has projected year-wise amounts of Aggregate Revenue Requirements ( ARR ) as under :

| Year        | Aggregate Revenue<br>( Rs lakh ) | Allocated<br>Transmission<br>Capacity (MW) | Transmission charges<br>( Rs. per MW per<br>month ) |
|-------------|----------------------------------|--------------------------------------------|-----------------------------------------------------|
| 2014 – 2015 | 112834.87                        | 5370                                       | 1,75,100.66                                         |
| 2015 – 2016 | 139700.17                        | 5690                                       | 2,04,598.96                                         |
| 2016 – 2017 | 145217.02                        | 6011                                       | 2,01,321.22                                         |

- 2.2 The projections are said to be based on the following basic premises :
- i) WBSETCL has undertaken the construction of new EHV sub-stations and lines besides the augmentation of capacity of existing EHV lines, sub-stations and other schemes for meeting the increased infrastructure requirement for transmission of power in the State.
  - ii) The Technical Loss in the transmission system has been considered as 3.40% for all the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 in line with the provisions of Commission's Regulations.
- 2.3 The assessment of the energy transmission is based on the estimated quantum of energy to be purchased by WBSEDCL at 400 / 220 / 132 KV to meet its energy requirement for the aforesaid control period since it is the sole long term user of the transmission network of WBSETCL. The other agencies use the said system only on short term basis. Power to be purchased by WBSEDCL from all the State and Central Sector Generating Stations are to be transmitted through the transmission system of WBSETCL. The evacuation systems of power generated at the Hydel Power Stations and Purulia Pumped Storage Project of WBSEDCL are also connected with the said transmission system.



2.4 In regard to the fixed charges claimed by WBSETCL under different heads of accounts during the years under the fourth control period, WBSETCL clarified as under:

**2.4.1 Employee Cost:**

2.4.1.1 While assessing the employee cost, WBSETCL considered the element of Dearness Allowance (DA) as declared time to time from the year 2010 – 2011. The employee cost has been estimated considering average rate of D A, 108% for 2014 – 2015, 118% for 2015 – 2016 and 128% for 2016 – 2017. New recruitments at different cadres as well as future retirements have also been taken into consideration while making the projections under this head. Numbers of total employees projected by the licensee are 3543, 3660 and 3682 for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively. The petitioner has also come forward with the plea for allowing overtime allowances extended to its employees for attending emergency break down beyond the normal hours of duty in public interest. The employee cost also includes Rs. 2025.12 lakh, Rs. 2263.62 lakh and Rs. 2395.84 lakh towards liability of terminal benefits of employees for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively.

**2.4.2 Repairs & Maintenance (R&M) Expenses:**

2.4.2.1 It has been estimated that WBSETCL will require Rs.4928.96 lakh, Rs.6143.06 lakh and Rs.7658.05 lakh in the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively in order to deliver reasonably uninterrupted quality power.

**2.4.3 Other Administration and General Expenses:**

2.4.3.1 It is estimated that Rs.1265.01 lakh, Rs.1354.50 lakh and Rs.1447.72 lakh will be required during 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively to meet



the 'administration and general expenses' including rent, rates, taxes, legal charges and audit fees etc. after capitalization of the part of such expenses.

**2.4.4 Depreciation:**

2.4.4.1 The amounts of chargeable depreciation, computed in terms of the Commission's Tariff Regulations are Rs. 19767.79 lakh, Rs. 22431.49 lakh and Rs. 24885.50 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017, respectively.

**2.4.5 Interest and Finance Charges:**

2.4.5.1 Total interest payable on loans from the Government and other Financial Institutions in the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively has been worked out to be Rs. 25479.65 lakh, Rs. 31741.80 lakh and Rs. 34745.83 lakh including interest on pension bond after capitalizing a part of such amounts of interest charges. The above figures include interest on working capital of Rs. 840.40 lakh, Rs. 523.95 lakh and Rs. 552.47 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively.

**2.4.6 Reserve for unforeseen Exigencies:**

2.4.6.1 WBSETCL has not claimed any amount as reserve for unforeseen exigencies.

**2.4.7 Return on Equity:**

2.4.7.1 The WBSETCL has asked for return on equity as allocated by the Government of West Bengal under: "West Bengal Power Sector Reforms Transfer Scheme, 2007," notified by the Government of West Bengal as well as on the investments subsequently made / to be made but out of its own fund. The amounts of return claimed by WBSETCL are Rs. 28867.89 lakh, Rs. 32974.21 lakh and Rs. 36418.37 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017, respectively.





## CHAPTER - 3 OBJECTIONS

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- 3.1 Hooghly Chamber of Commerce & Industry (HCCI) only has submitted their objections, suggestions and comments on the tariff application of WBSETCL within the due date of submission.
- 3.2 The main points of the suggestions, objections etc. are summarized in subsequent paragraphs. Commission's observations on some of the suggestions, objections and comments are also recorded in this chapter. HCCI has given their general observation on the petition of WBSETCL as well as pointwise observations in their submission which are as follows:
- 3.2.1 WBSETCL submitted original petition on 30.01.2014 followed by submission of data and supplementary petition, submitted on 17.02.2014, 21.02.2014 and 24.02.2014 respectively. WBSETCL also submitted further information on 5.03.2014 and 13.03.2014 as against direction of WBERC after submission of original petition and supplementary petition. From the chronology of submission it can be easily construed that the submitted petition is not containing systematic information and appears to be non-transparent. It is not understandable why it was required to re-estimate the ARR within 3 weeks of submission of their original application as WBSETCL has not put forward any justification in the supplementary application for such a wide change in the estimated revenue requirement of 2014-15, 2015-16 and 2016-17 compared to its original estimated revenue submitted on 30.1.2014. This shows non professional casual approach by the licensee. It also indicates there may be enough scope to reduce transmission charges in case the capital expenditure and revenue expenditure are critically analyzed.

*The Commission has noted the points and while deciding any projected expenses of any element of ARR, the Commission has undertaken due diligence after scrutiny of such expenses.*



3.2.2 WBSETCL in their petition has stated that in the present day condition and environment of West Bengal, stoppage and/or delay and slow progress of work due to ROW related issues and uncontrolled factor, unworkable conditions specially in case of transmission line cannot be ruled out which results in higher project cost. HCCI has referred following two paragraphs of WBSETCL tariff application. i) In paragraph 3.4.7 of volume 1 of the petition WBSETCL expressed doubt about progress of work to be taken up under the rolling plan and ii) in paragraph 3.4.9 of Volume 1 of petition WBSETCL admitted that phasing of expenditure and time of completion play an important factor in determining tariff and therefore, they have assured a conservative approach. On the above references HCCI has given following suggestions:

- a) WBSETCL should take up phase wise programme plan in a composite manner so that a realistic target can be achieved.
- b) According to HCCI, WBSETCL has submitted ambitious figures for transmission plan particularly in the context of actual figure vis-à-vis actual expenditure and progress of work in the past years.
- c) Project planning, project monitoring play very important role in project cost, capitalization of assets, depreciation and IDC. All these elements have direct impact on ARR and tariff. For time overrun / delay in the execution of the project IDC increases and so all efforts should be made to reduce the IDC and HCCI therefore, prays to Hon'ble Commission that the IDC should be restricted upto the completion period of the project.

WBSETCL in their submission (refer para 3.4 in page 13 Vol.1 of the petition) has submitted that the prospective plan of WBSETCL upto 2016-17 was approved by its Board of Directors (BOD) in its meeting held on 10.2.2011 and subsequently revised in the Board Meeting held on 28.1.2013. However, the total project cost of Rs. 5262.86 crore (without IDC) was envisaged to be incurred



based on demand projection till 2016-17. WBSETCL has further stated that based on projection of District-wise demand of state, availability of land for sub stations the rolling plan of WBSETCL have been formulated for the period 2014-15 to 2018-19. The proposed prospective plan was discussed on 21.10.2013 and on 15.11.2013 and the BOD of WBSETCL gave administrative approval to the rolling plan of 2018-19 at an estimated capital cost of 7099.55 crore. It is observed that the period 2014-15 to 2016-17 has also been included in the rolling plan, but there is no specific mention why the period upto 2016-17 is not segregated from the rolling plan upto 2018-19. It is to be segregated in the context of MYT 2014-15 to 2016-17. HCCI submits before the Hon'ble Commission to look into this aspect of prospective planning vis-à-vis execution in the context of National EPS while approving the expenditure.

*The points raised above are noted and thus while dealing different element of ARR in this order on which the execution of rolling plan has impact, the Commission has made due assessment on the rolling plan as pointed out in the views of the Commission against paragraph 3.3.1 below.*

- 3.2.3 WBSETCL has lowered down the ARR requirement for all the 3 years of fourth control period. The cost under major heads have been computed as % of GARR in table 2A & 2B for original and revised submission respectively from where it is observed that there is hike in most of the major heads like Salary, Terminal Benefits, Cost of Outsourcing, Repair & Maintenance, Interest on P.F. Bond and abnormal hike in percentage on "Depreciation". However, WBSETCL by reducing "Interest" in first two years has reduced total ARR. Interest can be further reduced by arranging funds from own profit at the initial stage of respective projects.

Depreciation is actually less because of non-capitalization of assets for on-going projects, whereas WBSETCL has projected much higher depreciation during the



years of 4<sup>th</sup> control period. HCCI is of the opinion that this can be reduced and the Commission may kindly critically review the scope of further reduction of ARR.

*The points have been noted by the Commission. The Commission while dealing different elements of ARR has made due diligences to determine the cost to be allowed after looking into the figures of the original submission and revised submission along with the rationale put forward by WBSETCL for such revision.*

3.2.4 WBSETCL has projected average System demand in Form 1.14 and allocated transmission capacity in the petition as below:

| ITEM                           | 2014-15<br>(MW) | 2015-16<br>(MW) | 2016-17<br>(MW) |
|--------------------------------|-----------------|-----------------|-----------------|
| PEAK SYSTEM DEMANDS (YLY AVG.) | 5569            | 5897            | 6234            |
| TRANSMISSION CAPACITY          | 5370            | 5690            | 6011            |

It appears that allocated capacity is less than System demand which should be reverse, otherwise system is not stable.

*The points have been noted by the Commission.*

3.3 In their point wise observations, HCCI has submitted as follows:

3.3.1 The energy transmitted during 2012-13 (actual) to 2016-17 (projected) indicates growth as below:



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| Year    | Energy Transmitted (MU) | % Rise i.r.o. previous year |
|---------|-------------------------|-----------------------------|
| 2012-13 | 35734.029               | 6.67%                       |
| 2013-14 | 37751.00                | 5.64%                       |
| 2014-15 | 40543.00                | 7.4%                        |
| 2015-16 | 43016.00                | 6.09%                       |
| 2016-17 | 45479.00                | 5.7%                        |

According to HCCI, the above figures indicate that average growth is between 5.7% and 6.7% whereas the projected capacity addition shown in Annexure-C (perspective plan for 2014-15 to 2018-19) is very much on higher side in comparison to load growth, loading of lines and also in comparison to average capacity/asset addition per year over the past ten years. Therefore the programme envisaged appears to be too much ambitious and without realistic assessment of all relevant factors.

HCCI, thus, has requested that the Hon'ble Commission may kindly examine the rolling plan in the context of previous execution performance and present difficult situation for construction work as stated by WBSETCL at different paragraphs of the petition and subsequent correspondence. HCCI is also of the opinion that Hon'ble Commission has already expressed apprehension on this point as it is evident from the post petition correspondence between Hon'ble Commission and WBSETCL.

*The Commission is of the view that the capacity addition programme is always undertaken on mid-term and long term projection basis and thus accordingly investment approval is being given to WBSETCL on different projects after inviting the suggestions, objections and comments from the stake holders. Thus, on the basis of parameters from short term perspective, the claim of HCCI as above for any reconsideration does not hold good. However, the capacity addition being a continuous process while planning for new capacity addition any*



over investment due to reduced growth is automatically corrected by assessing the new capacity addition requirement accordingly. Moreover, the transmission capacity addition planning is always based on the peak demand of a year and not on the basis of transmitted energy. However, if any project is being suggested under rolling plan which has not been gone through investment approval, in such case Commission makes a prudent check to decide whether such project cost will be considered or not. If any such project is accepted under rolling plan in the tariff application or tariff order then also such project is to go through investment approval mechanism as per the Tariff Regulations.

### 3.3.2 O&M Cost:

On analysis of O&M cost submitted by WBSETCL it is observed that there is an abnormal year-wise percentage increase in O&M cost. From the submission it is observed that there is steep % hike in the following two items.

#### STORES & SPARES

| ITEM                      | 2013-14   | 2014-15 | 2015-16 | 2016-17 |
|---------------------------|-----------|---------|---------|---------|
| Amount (Rs. in lakh)      | 1658.28   | 2088.92 | 2631.40 | 3314.75 |
| % Rise FROM PREVIOUS YEAR | Base year | 25.97   | 25.97   | 25.97   |

#### REPAIR & MAINTENANCE

| ITEM                      | 2013-14   | 2014-15 | 2015-16 | 2016-17 |
|---------------------------|-----------|---------|---------|---------|
| Amount (Rs. in lakh)      | 2297.52   | 2840.04 | 3511.66 | 4343.30 |
| % Rise FROM PREVIOUS YEAR | Base year | 23.65   | 23.65   | 23.65   |

The year – wise % increase is too high. In consideration of the year of commissioning of existing lines and substations of different voltage category, revamping projects undertaken by WBSETCL, augmentation of capacity of lines and substations under new projects, such year-wise % hike in the above two items are not acceptable to HCCI. HCCI requests Hon'ble Commission to look



into this aspect critically on review of actual expenditure during the period 2009-10 to 2012-13 so that tariff burden can be reduced.

*The Commission has noted the points.*

### 3.3.3 Employee Cost:

From the table it is observed that there is more than 10% rise in total number of employees in 2013-14 and 2014-15, whereas % rise in Employees Cost compared to previous year is 6.46% in 2013-14 and (-) 5.23% in 2014-15. On the other hand there is abnormal rise in employee cost in 2015-16 and 2016-17.

Hon'ble Commission may kindly examine the same as the share of employee cost is more than 15% of GARR.

*The Commission has noted the points.*

### 3.3.4 Depreciation & Interest:

HCCI observed that WBSETCL has revised ARR for all the years of fourth control period (2014-15, 2015-16, 2016-17) in its supplementary petition. The major cost under different heads of GARR as computed in Table 2A and Table 2B indicates that though there is % increase in Employee Cost, Terminal Benefit, Cost of Outsourcing, Repair & Maintenance, i.e. all the cash expenditures, but depreciation has changed. It is not understandable to HCCI that how the depreciation figures furnished by WBSETCL on 30.01.2014 had to be changed within three weeks of submission, even the figures for 2013-14 that is the current figure has been revised. Depreciation being a cashless expenditure and forming high % of ARR, this figure needs to be scrutinized carefully.

HCCI apprehends that to reduce the amount of ARR thereby transmission charge (Rs./MW/Month) of WBSETCL, revised ARR in supplementary petition



has been submitted without due diligence and checking of figures. It is more evident from the change in projected figure for 2013 – 2014 during submission at the fag end of the financial year. It is beyond any reasonable justification, particularly when the company is well equipped with ERP and WBSETCL has not attempted to clarify the reasons of such changes made within a very short time. It is to be kept in mind that no attempt has been made to reduce running expenses.

*The Commission noted the different points and will deal with the issue accordingly while dealing with individual item keeping in mind the views already expressed by Commission against paragraph 3.3.1 above. The Commission has also given necessary directions to WBSETCL in subsequent chapter.*

### 3.3.5 Other Administrative and General Expenses:

As per HCCI opinion, WBSETCL has projected A&G expenses on much higher side because the year wise escalation is on the higher side considering all the aspects. HCCI understands that substantial part of the A&G expenses would be capitalized thereby reducing the ARR.

*The Commission noted the points and will deal with the issue reasonably while dealing the item.*

### 3.3.6 Repair and Maintenance expense:

HCCI requested that Hon'ble Commission may kindly fix up a benchmark for repair and maintenance expense for Transmission Licensee under the State considering area of operation, voltage of supply, geographical locations and in comparison to the figures of other identical States in the country. According to HCCI, WBSETCL has submitted that repair and maintenance expenses are increasing for extension of networks and improvement in consumer services. HCCI objects to the same as most of the extensions have been done recently





under various schemes and by any consideration, more than 25% year wise rise in R&M and stores and spare is too high.

*The Commission has noted the suggestion of HCCI regarding fixation of benchmark for repair and maintenance expenses for transmission and observes that the issue relates to the amendment of the Tariff Regulations. HCCI may take up the issue accordingly. The Commission does not agree with the objection of HCCI on increasing repair and maintenance cost due to extension of network stating the ground that most of the extensions have been done recently under various schemes, as the Commission thinks that implementation of new scheme does not mean that there is no need for any preventive maintenance. Regarding expenses for network extension necessary direction is being given to WBSETCL in subsequent chapter.*

### 3.3.7 Effective Date of Tariff Implementation:

The HCCI submits WBSETCL is solely attributable for the delay in timely filing of the MYT Petition and the reasons provided by it for condemnation of delay are not compelling reasons for application of retrospective tariff application. HCCI submit that retrospective tariff application may not be allowed.

*The point has been noted and the Commission's decision is given in subsequent chapter.*

### 3.3.8 Cost of Outsourcing:

WBSETCL has outsourced some of the administrative and general activities like security service, transport arrangements and repair maintenance.

It is appreciated that WBSETCL has indicated reduction of such cost in percentage of ARR.



*The point has been noted.*

### 3.3.9 Special Allocation:

HCCI refers that from scrutiny of Form 1.21 under heading of special allocation both for original and revised submission that WBSETCL has included claim for APR 2013-14.

Hon'ble Commission should allow APR adjustment under special allocation only for the period/ year for which specific order has been issued. APR claim which has not yet been admitted before issuance of multi year tariff for the period 2014-17 and any claim at this stage if found admissible may be kept in abeyance and to be dealt separately. Otherwise tariff burden would be much high. Hon'ble Commission may kindly consider present industry scenario and may decide as deem fit.

*The Commission agrees that when the APR order for 2013 – 2014 will be issued then only its impact will be considered in the tariff of future ensuing year as per the Tariff Regulations.*

### 3.3.10 Return of Equity and Share of Benefit:

As per HCCI, from the table 2A and 2B it will be observed that WBSETCL in revised supplementary petition have claimed higher percentage of permitted return. To encourage funding on project from own source Hon'ble Commission will definitely allow permitted return on equity as admissible in accordance with relevant regulation. But at the same time actual investment vis-à-vis progress of project be carefully examined so that Return on Equity will justify. It is not very clear why equity in the year 2016-17 is being changed so drastically on higher side whereas permitted return for 2014-15, 2015-16 are slightly lower. HCCI pray to Hon'ble Commission to examine them and pass on some benefit to the



consumers as WBSETCL is found to make considerable profit during the last three years.

*The Commission has noted the point and will deal with the issue while dealing the item.*

### 3.3.11 Public Hearing:

Regulation “2.4 – Invitation of Suggestions and Objections of hearing” of the MYT Regulations provide:

“Notwithstanding anything to the contrary contained elsewhere in these relations or any other regulations of the Commission, the Commission will undertake hearing or invite suggestions and objections in a manner and at a stage which is only specifically provided in these regulations with following provisions.

- i) Wherever there is invitation of suggestion and objection under these regulations it shall mean that such suggestion and objection shall always be submitted in written form only.
- ii) Whenever suggestions and objections are required to be invited under these regulations it shall be through advertisement in website or/and newspaper in a manner as specified in these regulations for any purpose.
- iii) Hearing wherever provided in these regulations shall always be supported by a written submission which shall be compatible with the oral submission made during hearing. The issue(s) raised in the written submission of any hearing will only be considered as the content of hearing in the proceeding by the Commission.” (Emphasis supplied).”

The above entails that the conduct of a public hearing is optional and not mandatory. It is earnestly urged by HCCI that in order to consider the objections/



comments/ suggestions from all the stakeholders in totality and in a transparent manner, a public hearing may be conducted by the Hon'ble Commission for determination of the MYT petition. Various Regulatory Commissions resort to both Public Hearing and invitation for comments/ suggestions/ objections from the stake holders as a general and standard practice in respect of aforesaid activities.

According to HCCI, the correspondence between Hon'ble WBERC and WBSETCL, submission of Data/ information and supplementary petition are the factors which call for public hearing for Transparency and clarity. HCCI representing a large section of Industrial Consumers of State further prays to Hon'ble WBERC that for the best interest of growth of industry and survival of some power intensive industries, Commission should give them an opportunity to clarify their points in person. Hon'ble WBERC may kindly consider this objection while determining the Tariff of WBSETCL for the ensuing years.

*In the context of public hearing, Commission in its earlier order on different tariff related orders has expressed the views time and again. Now Commission reiterates the views in short. Section 64 of the Act speaks about hearing only in case of rejection of an application where it is stipulated that applicant of tariff application be given reasonable opportunity of being heard before rejection of his application. This is also mentioned as exceptional circumstances under provisions of Clause (b) of Sub-section 3 of Section 64. Accordingly, the Commission decides to consider only the suggestions/objections from the public as per Tariff Regulations. The Tariff Regulations framed under the provision of the Act has specifically provided receiving of such objections/suggestions from public in written form only. Thus on this issue Commission prefers to limit itself strictly within the provisions of the Act instead of considering other extraneous factors. Section 86 (3) of the Act in particular speaks of ensuring transparency*



*while discharging its functions but not anything on point of hearing. Transparency in a process does not necessarily mean holding public hearing. It requires fairness and probity to be maintained in the decision making process. This objective is achieved once the objections and suggestions are duly considered and the decision of the Commission is indicated along with reasons. Hence, there is no requirement to hold a public hearing after inviting suggestions and objections as per Section 64 of the Act.*

*HCCI though referred the instances of conducting public hearing by 'other Regulatory Commissions' as a general and standard practice, the Commission is of the view that there is no need for public hearing as already explained above. Invitations of suggestions and objections on the tariff application of WBPDCCL have been made in accordance with the provisions of the Act and Regulations. This had been done in earlier years also as a standard practice in line with the provisions of the Act.*

*HCCI has also mentioned that hearing is optional and not mandatory. In this respect, the Commission is of the opinion that the first sentence of the regulation 2.4 of the Tariff Regulations clearly spelt out that the invitation of suggestion and objections are to be done in a manner and at a stage which is only **(emphasis supplied)** specifically provided in the Tariff Regulations. The said regulation also clearly spelt that any invitation of suggestion and objection under these Regulations shall mean that such suggestion and objections shall always be in written form only **(emphasis supplied)**. Thus the con-joint reading of those two provisions clearly shows that the submission of suggestion and objections shall mandatorily be through single method that is written submission only and no other method will be acceptable such as hearing.*

3.3.12 The Commission has taken note of the objections, suggestions and comments offered. Some of the objections, suggestions and comments have been dealt



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with in the paragraphs above. The objections, suggestions and comments which have not been dealt with in earlier paragraphs and are directly concerned with the instant petition, have been considered in the subsequent chapters of this order in which various components of fixed costs have been analyzed and discussed.



## CHAPTER- 4

### DETERMINATION OF FIXED CHARGES

- 4.1 The net amounts of fixed charges projected by WBSETCL for the years of fourth control period under the Multi-Year Tariff (MYT) approach are as follows:

|                                                                                   | Rs in lakh         |                    |                    |
|-----------------------------------------------------------------------------------|--------------------|--------------------|--------------------|
|                                                                                   | <b>2014 – 2015</b> | <b>2015 – 2016</b> | <b>2016 – 2017</b> |
| Gross fixed charges                                                               | 123808.46          | 151514.09          | 157797.12          |
| Less : Income from other non-tariff sources, interest credit, SLDC & STOA Charges | 10973.59           | 11813.91           | 12580.10           |
| <b>Net Amount of fixed charges</b>                                                | <b>112834.87</b>   | <b>139700.18</b>   | <b>145217.02</b>   |

The projected amounts of fixed charges are net of the capitalization of the part of expenses under different heads chargeable to ongoing capital construction works. Being exclusively engaged in the functions and business in transmission activities and load dispatch activities, WBSETCL is not having any variable cost and as such, the amounts of net fixed charges are also the Aggregate Revenue Requirements (ARR) of it.

- 4.2 The Commission has made prudent analysis of the charges claimed under different heads with reference to reasonableness. While determining fixed charges on different heads for WBSETCL for the ensuing years 2014-15, 2015-16 & 2016-17 under fourth control period the following considerations have taken place:

- 4.2.1 WBSETCL has projected the expenditure for different heads under the operation and maintenance head (O&M) stated to be on the basis of CAGR of the actual expenses incurred for the last 3 years period ending 2012 – 2013. HCCI, the lone objector has raised its objection on steep hike in percentage in projection of O&M expenditure by WBSETCL. The Commission finds it prudent to analyze the projection of expenditure under this head in the light of inflationary trend during



the previous year and also the business growth during the years as detailed out in subsequent paragraphs.

Commission observed that Central Electricity Regulatory Commission based on a hybrid index of WPI (Wholesale Price Index) & CPI (Consumer Price Index) has observed an annual inflation trend of 8.35 % while fixing the norms of O&M expenses in Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter refer to as 'CERC Tariff Regulations') for central sector utilities for the period 2014-2019. This inflation trend of 8.35 % is computed based on five year average of WPI and CPI indices for FY 2008-09 to FY 2012-13 considering 60% and 40% weightage on WPI and CPI respectively. However, while fixing norms of O&M cost (which includes employee cost also) the annual escalation rate on O&M expenses during the period 2014-2019 has been considered as 3.32% for A.C. transmission system as per the statement of reasons of the CERC Tariff Regulations for the said period. This 3.32% is the 110% of the actual Compounded Annual Growth Rate (CAGR) (3.02%) of O&M expenses for A.C. transmission system during the period 2008-09 to 2012-13 computed on the basis of 70% weightage on actual O&M cost of per bay of sub-station and 30% weightage on actual O&M cost of per CKM transmission line.

Taking the above mentioned principle adopted by CERC as a guideline Commission also decides to find out a reasonable annual escalation rate for WBSETCL for all sub-heads of O&M expenses for distribution function, rates & taxes, insurances, Vehicle running expenses and Security expenses with certain deviation based on certain reasons as explained below:

- a) The control period is of three years and as more than 6 months of 2014 – 2015 has already passed thus the inflation trend between October 2011 and September 2014 has been computed where weightage has been given to WPI and CPI at the ratio of 60:40 in line with the norms fixation methodology





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under CERC Tariff Regulations. This is being done in order to capture the realistic trend of 2014-15 as far as possible so that projection for fourth control period can have better accuracy. Accordingly based on the WPI numbers and CPI numbers as available in the website of Economic Advisor of GOI for WPI and Labour Bureau of GOI for CPI the computed inflation trend for the above 36 months are given in the following table 4.2.1- I.

Table- 4.2.1- I

| <b>TREND OF INFLATION RATE FOR THE PERIOD OCTOBER 2011 TO SEPTEMBER 2014</b>         |      |
|--------------------------------------------------------------------------------------|------|
| Average inflation rate as per WPI from October 2011 to September 2014=               | 6.62 |
| Average inflation rate as per CPI from October 2011 to September 2014=               | 9.15 |
| Average inflation rate as per WPI + CPI (60:40) from October 2011 to September 2014= | 7.63 |
| <b>Note :</b> For detail data at Annexure – 4B may be seen                           |      |

- b) Different sub heads under O&M expenses, Expenses for outsourcing (limited to manpower and vehicle hiring cost), insurance and rates & taxes are effected by inflationary trend but at different degree depending on the characteristics of such head or sub-head. In this context two recognized inflationary trends used in the country are WPI and CPI. Along with these two types of inflationary rate for power sector another third type inflationary rate used by the Commission is based on hybrid index (WPI+CPI) as explained in paragraph (a) above. In Table-2 in Annexure-4A the basis of inflationary rate considered for such heads and sub-heads of expenditure are given. The inflationary rate based on hybrid index of WPI & CPI numbers has been considered to be applicable for all the sub-heads / heads under O&M expenses, rates & taxes, insurances and vehicle running outsourced expenses. But for security expenses the inflationary rate based on CPI number has been considered as such expense is being significantly loaded with wages of security personnel. In this context it is to be noted that all



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these heads of expenditure are treated as heads under O&M function of CERC Tariff Regulations. Accordingly the above inflation rate as given in the table above are used for applicability in giving escalation rate in 2014 – 2015, 2015-16 and 2016-17 with respect to the previous years' admitted expenditure to find out the admitted expenditure of the referred heads. However in same line while giving effect of the inflationary escalation rate in 2013-14 and 2014-15 over the previous year in such case the concerned actual inflation rate for 2013-14 and 2014-15 (on six months trend basis) is considered . Thus the inflation rate considered for tariff computation is as per the following table 4.2.1- II.

Table 4.2.1- II

| <b>INFLATION TRENDS</b>                                    |            |            |                                         |                                           |
|------------------------------------------------------------|------------|------------|-----------------------------------------|-------------------------------------------|
| <b>Financial Years</b>                                     | <b>CPI</b> | <b>WPI</b> | <b>Combined WPI &amp; CPI (60 : 40)</b> | <b>Remarks</b>                            |
| 2010-11                                                    | 10.53      | 9.57       | 9.96                                    | Actual                                    |
| 2011-12                                                    | 8.42       | 8.96       | 8.74                                    | Actual                                    |
| 2012-13                                                    | 10.43      | 7.36       | 8.59                                    | Actual                                    |
| 2013-14                                                    | 9.72       | 5.98       | 7.47                                    | Actual                                    |
| 2014-15                                                    | 6.81       | 4.78       | 5.59                                    | As per 6 months trend                     |
| 2015-16                                                    | 9.15       | 6.62       | 7.63                                    | As per Table 4.2.1-I & as explained above |
| 2016-17                                                    | 9.15       | 6.62       | 7.63                                    |                                           |
| 2011-12 to 2013-14                                         | 9.52       | 7.43       | 8.27                                    | Averaged on annual basis                  |
| 2010-11 to 2013-14                                         | 9.78       | 7.97       | 8.69                                    |                                           |
| <b>Note :</b> For detail data at Annexure – 4B may be seen |            |            |                                         |                                           |

In 2014-15 as the trend is downward than the value under Table 4.2.1-I and as the time already passed in 2014 – 2015 has covered fifty percent of the year, thus such value has been considered with due insulation against uncertainty wherever required through providing necessary certain additional float.



- c) For finding out the expenditure to be admitted by the Commission, the estimated expenditures of 2013-14 submitted by WBSETCL are scrutinized by the Commission so that overestimated value can be rationalized to a reasonable extent. This is being done as otherwise the existence of overestimated expenditure for 2013-14 may result into higher admitted amount for fourth control period as because the computation for projection of expenditure for 2014-15 to 2016-17 are done by applying the annual escalation rate over the estimated figure of 2013-14. On the estimated value as provided by WBSETCL for 2013-14 Commission finds that against both the elements of the outsourcing expenditure estimation seems to be on extremely higher side and in such case Commission has done its own estimation based on the Table-1 of Annexure – 4A by applying its prudence which are explained below:

The expenditure estimated by WBSETCL for 2013 – 2014 on repair and maintenance, legal charges, rent, rates and taxes and security charges shows increase by 15% or more than the audited actual expenditure over 2012 – 2013. This proposed increase in 2013 – 2014 is abruptly high even after considering the inflationary rate over the actual expenditure of 2012 – 2013. WBSETCL has not even justified the reasons of such increase in base year 2013 – 2014 of fourth control period. The Commission is of the view that the increase rate in expenditure due to impact of business volume increase cannot exceed the increase rate of business volume for any year. Thus, for these four items, the Commission estimated the expenditure for 2013 – 2014 by giving effect of relevant inflationary rates as well as increase rate in business volume. Such estimated value by Commission has been calculated and depicted in the Table – 1 of Annexure 4A.



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In this estimate of expenditures for 2013 – 2014 on the head repair and maintenance, it may be noted that the estimation of WBSETCL is Rs. 3955.81 lakh based on the CAGR of last three years upto 2012 – 2013 as per submission of WBSETCL, whereas same by the Commission is Rs. 3564.01 lakh. In this context, it is to be noted that if there be inclusion of expenditure towards repair and maintenance of any new expansion work in the amount of Rs. 3955.81 lakh estimated by WBSETCL, in that case WBSETCL shall submit details separately in an appropriate manner in the APR for 2014 – 2015.

- d) Where the past CAGR of expenditure of any above referred elements for the third control period (2011-12 to 2013-14) is lesser than the concerned inflation rate as provided in table 4.2.1- I in such case in line with CERC's principle 110% (an additional 10% margin) of such growth rate is considered as the annual escalation rate for 2014-15 to 2016-17 for the following reasons:
- i) To ensure the interest of all the stake holders in a better way from the point of view of availability consideration of the net work asset and different services.
  - ii) Also to provide a comfort to WBSETCL in carrying out O&M of the assets by extending an additional insulation against uncertainty arising out of increased expenditure for any unforeseen reason.

It is to be noted that for the said period the expenditure for 2013-14 is estimated one by the Commission and for 2011-12 & 2012-13 actual expenditure has been taken. In general, the lowest non-zero least positive value out of the three periods (2010 – 2011 to 2013 – 2014, 2011 – 2012 to 2013 – 2014 and 2012 – 2013 to 2013 – 2014) is considered for projection of estimated expenditure of heads of any year under the fourth control period.



The CAGR for certain other period has been considered in some cases where Commission finds that such decision will provide more rationale and better accuracy in the projected admitted cost.

- e) Where the projected expenses by WBSETCL are less than or more or less equal to the value estimated by the Commission for 2013-14 and the actual value of 2012-13 in such case no escalation is being allowed for fourth control period because WBSETCL's projection is considered as admitted figure.
- f) Where the past data shows irrational/asymmetric character in such case Commission by applying due prudence takes an appropriate escalation rate which is discussed in relevant portions.
- g) Where annual escalation rate or CAGR of past period crosses the concerned inflation rate of the said past period in such case escalation rate for projected expenditure due to business volume increase is computed from past trend by reducing it with the concerned inflation rate of the relevant past period and that has been explained in the relevant portions. In such case the annual escalation rate for 2014-15, 2015-16 and 2016-17 are as follows:

Annual Escalation Rate (%) for any ensuing year =  $A + R \times BGR + Ad\_F$

Where        A = Inflation rate (%) based on CPI or WPI or hybrid (WPI+CPI) index as applicable for the fixed charge element.

                  R = Ratio of percentage annual increase in expenses in the past period and percentage increase in business volume parameter during the same period.



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BGR = Projected growth rate (%) for the ensuing year of the business volume parameter to which the fixed charge element under consideration is sensitive.

Ad\_F = Additional float in % as decided by commission to provide insulation against uncertainty in projected inflation or business volume growth.

For such annual escalation rate calculation the annual increase (%) in expenses as required for calculation of R is decided by Commission from among annual increase rate of 2013-14 or CAGR of 2011-12 to 2013-14 or CAGR of 2010-11 to 2013-14 depending on the rationality or level of asymmetric character of past data as has been explained in the relevant portion. However principally wherever R on computation found to be higher than one then in such case R is considered not more than 1 as Commission is of the opinion that rate of increase in expenses due to business volume increase cannot surpass the rate of increase in business volume parameter unless there is any specific reason which can be established by the licensee. Similarly when R is found to be a value between 0.5 and 1 then also in ensuing year annual escalation rate is further reduced by a small quantum with an objective of gradual improvement in efficiency of the licensee in expenditure control by utilizing different resources in a more effective manner.

Where necessary while computing additional expenditure represented by  $(R \times BGR)$  of any element of fixed charge due to increase in business volume that additional expenditure is modified in a reasonable and rational manner after taking the impact of above mentioned sensitivity parameter on the additional expenditure. Details of such modification and any other specific



consideration are detailed out in relevant portion where each element of fixed charge is dealt with.

- h) For WBSETCL the line length in Circuit Kilometer (CKM) has been considered as business volume parameter to which all the elements of expenditure have been considered to be sensitive.
- i) As WBSETCL has not provided the projection of addition in new line in terms of CKM annually for the period 2014-15 to 2016-17 , thus after going through the past trend the growth of 4.42% of 2013-14 as estimated by WBSETCL has been considered as the future growth for 2014-15 to 2016-17.

Table 4.2.1- III

| <b>Particulars</b>              | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b><br><b>\$</b> |
|---------------------------------|----------------|----------------|----------------|----------------|-----------------------------|
| Transmission line length in CKM | 11457          | 11461          | 11095          | 11445          | 11951                       |
| Changes in line length (%)      | Not applicable | 0.03           | -3.19          | 3.15           | 4.42                        |
| \$ ~ Estimated by WBSETCL       |                |                |                |                |                             |

The above growth rate is considered as in the major number of elements the expenditure of 2013-14 has been considered as the base expenditure to find out the projected annual expenditure of the period of 2014-15 to 2016-17 by applying the escalation rate as detailed above. In this context it is to be noted that as the original tariff application is submitted at the end of 2013-14 and also followed with revised application, it can be considered that the estimated data for 2013-14 will have high degree of accuracy.



Accordingly the transmission line length in CKM projected for 2014-15 to 2016-17 as business volume parameter on the basis of which the projected expenditure has been admitted are as follows:

Table 4.2.1- IV

| <b>Particulars</b>              | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> |
|---------------------------------|----------------|----------------|----------------|
| Transmission line length in CKM | 12479          | 13031          | 13607          |
| Changes in line length (%)      | 4.42           | 4.42           | 4.42           |

During truing up in APR such projected transmission line length in CKM as given in table 4.2.1- IV shall be considered as the basis against which the expenditure has been admitted during concerned tariff order and accordingly truing up will be taken up.

- j) For computation of admitted expenditure on different elements for 2014-15 to 2016-17 the base expenditure over which the above escalation rates are applied have been considered either on the estimated value of 2013-14 by WBSETCL or by the Commission as explained in paragraph (g) above.
- k) Based on the above principle the projected expenditure on above mentioned different elements of fixed charges for 2014-15, 2015-16 and 2016-17 has been computed and then compared with the claimed amount of WBSETCL for the said year and whichever is lowest is being admitted in this tariff-order.

#### **4.2.2 O&M Expenses determination:**

Based on the laid down principle in paragraph 4.2.1 above following different sub-heads of O&M function are determined. In this context tables in Annexure – 4A may be referred to for the past trend of expenditure.





a) **Repair & Maintenance (R&M) Expenditure and Auditors Fees:** The escalation rates to be used for the projection of expenditure of R&M activity and audit fees have been determined separately for each element in a manner as described below:

- For R&M expenditure the escalation rate considered is the CAGR of 2010-11 to 2013-14 as in the past period of 2010-11 to 2013-14 it is found that there is fluctuation in annual expenditures and sharp rise in 2013-14. Thus as a rational approach the value of 2013-14 has to be re-estimated by the Commission and taken the CAGR of the whole period to minimize the impact of fluctuation.
- For Auditors fees the escalation rate considered for past period is the estimated annual escalation rate of 2013-14 over the actual of 2012 – 2013 as because in case of larger periods there is sharp increase in the earlier part of the period which is gradually stabilizing at the rear end (towards 2013-14) of the period.

The escalation rates for both the items determined in the above method exceed the concerned inflation rate of the past period on the basis of which such escalation rate is determined. Thus the methodology followed to determine the projected expenditure of auditors fee of any ensuing year under fourth control period is in accordance with sub-paragraphs (g), (j) and (k) of paragraph 4.2.1 where the value of R is considered as 0.25 only instead of 0.57 as computed in Table – 2 of Annexure – 4A for auditors fee as the Commission feels that such fees cannot increase in such high proportion to business volume increase as its sensitivity to business volume increase is less. The additional float on these controllable items is considered as 0.5% in order to provide insulation against uncertainty of any expenditure hike due to any unforeseen reason.



**b) Rent and Legal Charges:**

The escalation rates to be used for the projection of expenditure of Rent , Legal charges have been determined separately for each element in a manner as described below:

- For expenditure on Rent the escalation rate considered is the CAGR of 2010-11 to 2013-14 as in the past period of 2010-11 to 2013-14 it is found that there is fluctuation in annual expenditures. Thus as a rational approach the value of 2013-14 has to be re-estimated by the Commission and taken the CAGR of the whole period to minimize the impact of fluctuation.
- For expenditure on legal charges the escalation rate considered is the CAGR of 2011-12 to 2013-14 as in the past period of 2010-11 to 2011-12 there is sharp increase in expenditure which if considered, would have given over-estimated escalation rate.

As the escalation rates for the above items determined in the above method is less than the concerned inflation rate of the past period on the basis of which such escalation rate is determined thus for the above referred elements the methodology followed to determine the projected expenditure of any ensuing year for fourth control period is in accordance with sub-paragraph (d), (j) and (k) of paragraph 4.2.1

**c) Other Administrative and General Expenses:**

- The escalation rate for other administrative and general expenses (including consultancy fees, charges and expenses) is not required to be determined as in pursuance to the principle laid down in sub-paragraph (e) of paragraph 4.2.1, the expenditure claimed by WBSETCL is



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admitted by the commission because such claim is found to be less than the estimated value of 2013-14 and actual value of 2012-13.

d) Thus the admitted expenditure under O&M expenses are as follows:

Rs. in lakh

| Sl No. | Elements of Expenditure           | As Claimed by WBSETCL |                |                | As Admitted by WBERC |                |                |
|--------|-----------------------------------|-----------------------|----------------|----------------|----------------------|----------------|----------------|
|        |                                   | 2014-15               | 2015-16        | 2016-17        | 2014-15              | 2015-16        | 2016-17        |
| 1.     | R & M Charges                     | 4928.96               | 6143.06        | 7658.05        | 3782.64              | 4091.84        | 4426.31        |
| 2.     | Rent                              | 107.10                | 123.59         | 142.62         | 93.54                | 97.23          | 101.06         |
| 3.     | Audit Fees                        | 67.03                 | 73.74          | 81.11          | 65.32                | 71.36          | 77.95          |
| 4.     | Legal charges                     | 3.00                  | 3.00           | 3.00           | 2.75                 | 2.89           | 3.00           |
| 5.     | Other A&G expenses                | 967.87                | 1022.17        | 1075.87        | 967.87               | 1022.17        | 1075.87        |
| 6.     | <b>A&amp;G expenses (2+3+4+5)</b> | <b>1145.00</b>        | <b>1222.50</b> | <b>1302.60</b> | <b>1129.48</b>       | <b>1193.65</b> | <b>1257.88</b> |
| 7.     | <b>O&amp;M expenses (1+6)</b>     | <b>6073.96</b>        | <b>7365.56</b> | <b>8960.65</b> | <b>4912.12</b>       | <b>5285.49</b> | <b>5684.19</b> |

**Note :** For detail calculation the tables 1,2 & 3 under Annexure-4A may be seen

#### 4.2.3 Rates & Taxes:

For expenditure on Rates and taxes the escalation rate considered is the CAGR of 2010-11 to 2013-14 as in the past period of 2010-11 to 2013-14 (Tables under Annexure-4A may be seen) it is found that there is fluctuation in annual expenditures. Thus as a rational approach the value of 2013-14 has to be re-estimated by the Commission and taken the CAGR of the whole period to minimize the impact of fluctuation. As the escalation rates for the above items determined in the above method is less than the concerned inflation rate of the past period on the basis of which such escalation rate is determined thus for the above referred elements the methodology followed to determine the projected expenditure of any ensuing year for fourth control period is in accordance with sub-paragraph (d), (j) and (k) of paragraph 4.2.1. Hence, the admitted expenditure under Rates and Taxes are as follows:



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Rs. in lakh

| Sl No. | Elements of Expenditure | As Claimed by WBSETCL |         |         | As Admitted by WBERC |         |         |
|--------|-------------------------|-----------------------|---------|---------|----------------------|---------|---------|
|        |                         | 2014-15               | 2015-16 | 2016-17 | 2014-15              | 2015-16 | 2016-17 |
| 1.     | Rates & Taxes           | 120.00                | 132.00  | 145.20  | 120.00               | 128.55  | 137.72  |

Note : For detail calculation the tables 1, 2 & 3 under Annexure-4A may be seen

**4.2.4 Outsourcing Expenditure [Vehicle hiring Cost and manpower related expenditure (Security services)]:**

Based on the laid down principle in paragraph 4.2.1 different elements of Outsourcing Expenditure a) vehicle hiring expenses and b) security services expenses (manpower related expenses) are determined. In this context tables in Annexure – 4A may be referred to for the past trend of expenditure.

a) **Vehicle hiring cost:** For expenditure on Vehicle hiring cost the escalation rate considered is the CAGR of 2010-11 to 2013-14. In the past period of 2010-11 to 2013-14 (tables under Annexure-4A may be seen) it is found that there is uneven increase in annual expenditures between the period 2011-12 and 2012-13. Thus as a rational approach the CAGR of the whole period has been considered to minimize the impact of fluctuation. As the escalation rates for the above items determined in the above method is less than the concerned inflation rate of the past period on the basis of which such escalation rate is determined thus for the above referred elements the methodology followed to determine the projected expenditure of any ensuing year for fourth control period is in accordance with sub-paragraph (d), (j) and (k) of Paragraph 4.2.1.

b) **Security services expenses:** For security services expenses the escalation rate considered for past period is the annual escalation rate of 2013-14 as, if larger period is considered then the escalation rate is found to be extremely high. As the escalation rates for the above item determined in the above



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method exceed the concerned inflation rate of the past period on the basis of which such escalation rate is determined, the methodology followed to determine the projected expenditure of any ensuing year for fourth control period is in accordance with sub-paragraph (g), (j) and (k) of Paragraph 4.2.1 where the value of R has been taken as 0.26 in pursuance to the principle laid down in the said sub-paragraph as Commission finds it rational as such expenditure cannot increase in proportion to business volume increase as its sensitivity to business volume increase is less and after going through rationale of the expenditure of other licensees. While applying the methodology under sub-paragraph (g) of Paragraph 4.2.1 no additional float is considered as the cost is uncontrollable thus in case of unforeseen hike in expenditure the licensee has opportunity to take up the case during truing up under APR. Accordingly, the admitted amount for 2014-15 to 2016-17 has been found out and provided in the table below.

c) Thus the admitted expenditure under Outsourcing Expenses are as follows:

Rs. in lakh

| Sl No.                                                                                | Elements of Expenditure                                                              | As Claimed by WBSETCL |         |         | As Admitted by WBERC |         |         |
|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-----------------------|---------|---------|----------------------|---------|---------|
|                                                                                       |                                                                                      | 2014-15               | 2015-16 | 2016-17 | 2014-15              | 2015-16 | 2016-17 |
| 1.                                                                                    | Vehicle hiring expenses                                                              | 693.84                | 763.84  | 893.54  | 666.56               | 704.40  | 744.38  |
| 2.                                                                                    | Security services expenses                                                           | 2184.42               | 2734.02 | 3421.91 | 1689.58              | 1863.59 | 2055.53 |
| 3.                                                                                    | Outsourcing Expenses<br>(Vehicle hiring & Security<br>services Expenses) [ (1)+(2) ] | 2878.26               | 3497.86 | 4315.45 | 2356.14              | 2567.99 | 2799.91 |
| <b>Note :</b> For detail calculation the tables 1,2 & 3 under Annexure-4A may be seen |                                                                                      |                       |         |         |                      |         |         |

4.2.5 It is to be noted that the estimated expenditures which are only determined by the Commission for 2013-14 against any head or subheads as discussed above in sub paragraphs (i) to (iv) of paragraph 4.2.1(c), have been considered as base year expenditure for those heads for tariff determination purpose. In case any of such estimated expenditure made by the Commission is found to be less than



the audited actual expenditure for 2013-14 vis-à-vis business volume parameter increases then the consequential impact on the projected expenditure against concerned heads/sub-heads for the period 2014-15 to 2016-17 will be passed through tariff in APR of concerned year separately irrespective of whether such item is controllable factor or uncontrollable factor. During truing up exercise in APR of the concerned year the estimated expenditures of all the elements of different heads as mentioned in paragraph 4.2.1(c) above for 2013-14 are to be considered as have been incurred against the actual value of the business volume parameter (i.e., transmission line length) which has been achieved at the end of 2013-14. In case the actual value of TLL or consumer strength in 2013-14 is found to be higher than the estimated value that has been considered for 2013-14 in this tariff order then impact of such enhanced amount will be added to the projected value of TLL or Consumer strength for the period 2014-15 to 2016-17 of the tariff order to find out the target business volume parameter against the projected expenditure that has been admitted in the tariff order. On the basis of such revised targeted business volume parameter the truing up exercise in APR will be done specially while applying the regulation 2.6.10(v) of the Tariff Regulations.

#### **4.3 Employee Cost:**

- 4.3.1 The projection of employee cost for the ensuing years stated to have been made by WBSETCL on the basis of the approved manning pattern for their various operation units and taking into account the future planned recruitment and retirement of employees. Normal increment and increase in Dearness Allowance (D.A.) are also taken into account.
- 4.3.2 The total amount of employee cost projected by WBSETCL in respect of own employees as well as employees on contract in regular establishment for the three years of the concerned control period are as follows:



*Tariff Order of WBSETCL for the year 2014 – 2015*

| <b>Year</b> | <b>No. of total employees</b> | <b>Amount (Rs. in lakh)</b> |
|-------------|-------------------------------|-----------------------------|
| 2014 – 2015 | 3543                          | 17009.95                    |
| 2015 – 2016 | 3660                          | 22685.96                    |
| 2016 – 2017 | 3682                          | 25508.46                    |

4.3.3 The total number of employees (own employees and contracted employees in regular establishment) during 2012 – 2013 and 2013 – 2014, as submitted by WBSETCL in Form 1.17 (h) to Annexure – 1 are 2738 and 3032 respectively. Thus, WBSETCL has considered increase in number of employees during 2013 – 2014, 2014 – 2015, 2015 – 2016 and 2016 – 2017 @ 11%, 17%, 3% and 0.6% respectively. WBSETCL has not, however, given any justification against such high increase in number of employees during 2013 – 2014 and 2014 – 2015. Moreover, as has been seen from the tables 4.2.1-III and 4.2.1-IV above, the increase in transmission line length in Ckt.KM as projected by WBSETCL is 4.42% for all the years 2013 – 2014 to 2016 – 2017. Though the number of employees as projected by WBSETCL during all the years is within the norms, but, reason for such steep increase in number of employees in 2013 – 2014 and 2014 – 2015 are not explained by WBSETCL. Thus, the increases in projected number of employees at a level of 11% and 17% for the years 2013 – 2014 and 2014 – 2015 are not acceptable to the Commission. The Commission, therefore, does not consider increase in number of employees as projected by WBSETCL but considers a hike of 4.42% in employee cost annually for the years 2013 – 2014 to 2016 – 2017 against the projected increase in business volume (line length in Ckt.KM) while estimating the employee cost for the ensuing year in subsequent paragraphs.

4.3.4 The Commission now analyzes the impact of normal increment and increase in DA in employee cost for the respective years. The total amount of employee cost including Directors' remuneration as projected by WBSETCL for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 at Rs. 17009.95 lakh, Rs. 22685.96 lakh



and Rs. 25508.46 lakh respectively are net of capitalization and inclusive of terminal benefits of Rs 2025.12 lakh, Rs 2263.62 lakh and Rs 2395.84 lakh payable to terminal benefit fund for the respective three years. As stated, the element of DA has been estimated considering average rate of DA at 108% for 2014 – 2015, 118% for 2015 – 2016 and 128% for 2016 – 2017 respectively for the fourth control period.

- 4.3.5 The employee cost including terminal benefits and Directors' emoluments and net of capitalization has been shown in the annual report and accounts for 2012 – 2013 as Rs. 13273.37 lakh. WBSETCL has estimated the employee cost for 2013 – 2014 as Rs. 15749.54 lakh, which is 18.65% higher than that of actual expense for 2012 – 2013. The latest five DA (Dearness Allowance) increase in Central Government during 01.07.2012 to 01.07.2014 is 7%, 8%, 10%, 10% and 7%. Considering the impact of two instalments each at 10% of basic pay and annual increment @ 3% on basic pay, the annual increase in employee cost comes to 10.80%  $[(3 \times 8\% + 6 \times 18\% + 3 \times 28\% + 12 \times 3\%) / 12] \times 1/2 + (3\% \times 1/2 \times 0.2)$  [basic pay in the salary is 50% considering existing DA @ 80% of basic pay and HRA @ 20% of basic pay in the salary] for the year 2013 – 2014 over the employee cost incurred during the year 2012 – 2013. The Commission considers the increase in employee cost during 2013 – 2014 @ 15.22% (10.80% for D.A. increase + 4.42% for increased business volume) over the actual employee cost of 2012 – 2013 to arrive at the employee cost for 2013 – 2014 and the same is worked out at Rs. 15293.58 lakh. The last D.A. increase announced by the Central Government w.e.f. 01.07.2014 is 7%. Considering the impact of D.A. instalments @ 10% w.e.f. 01.01.2014 and @ 7% w.e.f. 01.07.2014 and considering the half yearly D.A. increase @ 7% in future and annual increment @ 3% on basic pay, annual increase in employee cost for the year 2014 – 2015 comes at 9.07%  $[(3 \times 10\% + 6 \times 17\% + 3 \times 24\% + 12 \times 3\%) / 12] \times 1/2.27 + (3\% \times 1/2.27 \times 0.2)$  (basic pay in the salary is 1/2.27 considering the D.A.





@ 107% of basic pay and HRA @ 20% of basic pay in salary) over the estimated employee cost for 2013 – 2014. The Commission, thus, considers the increase in employee cost for the year 2014 – 2015 over the estimated employee cost for 2013 – 2014 @ 13.49% (9.07% + 4.42% for business growth). The estimated employee cost for the year 2014 – 2015, thus works out at Rs. 17356.68 lakh. The Commission, however, admits the employee cost for the year 2014 – 2015 at Rs. 17009.95 lakh as projected by WBSETCL. The Commission considers an annual increase in employee cost @ 13.49% for the years 2015 – 2016 and 2016 – 2017.

- 4.3.6 The Commission thus decides to admit the following amounts towards employee cost including terminal benefits and Directors' remuneration.

| <b>Rs in lakh</b> |          |
|-------------------|----------|
| 2014 – 2015       | 17009.95 |
| 2015 – 2016       | 19304.59 |
| 2016 – 2017       | 21908.78 |

- 4.3.7 It is, however, necessary to mention that the employee costs are uncontrollable and therefore, are subject to adjustments on Annual Performance Review (in short 'APR'). WBSETCL is directed to intimate the total CKM of transmission lines vis-à-vis number of employees in their APR application in order to ascertain the allowable man power for determination of employee cost as per schedule 9A of the Tariff Regulations. Employee cost should be segregated in respect of own employees and employees on contract basis under regular establishment, if any.

#### 4.4 **State Load Despatch Centre (SLDC) Charges:**

- 4.4.1 WBSETCL in their petition has submitted that consequent to the Electricity Act, 2003, it is engaged in the business of transmission and load despatch of electricity. Accordingly, they have submitted the ARR of the State Load Despatch



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Centre (in short 'SLDC') for the fourth control period for only transmission function which is executed by WBSETCL. In terms of West Bengal Power Sector Reforms Scheme 2007, notified by the Government of West Bengal, the functions and management of SLDC is the responsibility of WBSETCL.

4.4.2 WBSETCL has projected the expenses for SLDC including ULDC charges for the years under the fourth control period as follows:

| Rs in lakh |                                          |                |                |                |
|------------|------------------------------------------|----------------|----------------|----------------|
| Sl. No.    | Particulars                              | 2014 – 2015    | 2015 – 2016    | 2016 – 2017    |
| 1          | ULDC tariff charges                      | 1596.53        | 1756.18        | 1931.80        |
| 2          | Repair & Maintenance                     | 360.33         | 377.95         | 394.34         |
| 3          | Administrative charges                   | 57.97          | 62.03          | 66.37          |
| 4          | Bank charges                             | 0.52           | 0.54           | 0.60           |
| 5          | Employee cost                            | 448.52         | 475.68         | 504.01         |
|            | <b>Total Revenue Expenditure (A)</b>     | <b>2463.87</b> | <b>2672.38</b> | <b>2897.12</b> |
| 6          | Capital Expenditure (B)                  | 5.92           | 13.00          | 21.00          |
|            | <b>Total Expenditure [(C) = (A)+(B)]</b> | <b>2469.79</b> | <b>2685.38</b> | <b>2918.12</b> |
|            | Less: Scheduling charges                 | 26.00          | 27.00          | 28.00          |
|            | Application fees                         | 16.00          | 16.50          | 17.00          |
|            | Income from interest                     | 255.96         | 254.02         | 254.06         |
|            | <b>Total Income (D)</b>                  | <b>297.96</b>  | <b>297.52</b>  | <b>299.06</b>  |
|            | <b>Net SLDC charges [(C) – (D)]</b>      | <b>2171.83</b> | <b>2387.86</b> | <b>2619.06</b> |

4.4.3 ULDC charge for the base year 2013 – 2014 has been estimated with a hike of around 43% over the actual for 2012 – 2013. WBSETCL has not, however, forwarded any reasons for such abnormal over-estimation. WBSETCL has projected around 10% hike each year over the projected value for the base year in ULDC charge during the fourth control period. According to the annual accounts of WBSETCL for 2012 – 2013, ULDC charge paid by SLDC was Rs. 1010.06 lakh. The Commission admits the amount of Rs. 1436.88 lakh, Rs. 1580.56 lakh and Rs. 1738.62 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively towards ULDC charges after deducting 10% for each year of the value projected by WBSETCL. However, actual expenses would be



considered in the APR on the basis of audited annual accounts of the respective financial years. Repairs and maintenance, general and administrative charges and bank charges would come under the broad head of operation and maintenance charges, which is controllable in nature. As per annual accounts of SLDC for the year 2012 – 2013, total amount of such operation and maintenance expenses was accounted for Rs. 159.10 lakh during the year 2012 – 2013.

- 4.4.4 As already discussed in sub-paragraph (b) of paragraph 4.2.1 above, the inflationary trend for ascertaining the expenditure during the year 2013 – 2014 has been considered @ 7.47% over the actual expenditure during the year 2012 – 2013 under the head repair and maintenance. Similarly, the inflationary growth during the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 have been given @ 5.59%, 7.63% and 7.63% respectively as per table 4.2.1-II. No hike for business growth has, however, been considered by the Commission as the nature of R&M job in SLDC is very less sensitive to business volume parameters.
- 4.4.5 Considering inflationary hike in price for repair, maintenance and administrative charges under (O&M) expenses as considered for transmission function as stated above, the Commission admits the amount of Rs. 180.53 lakh, Rs. 194.31 lakh and Rs. 209.14 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively under the head.
- 4.4.6 WBSETCL has projected the employee cost for SLDC function at Rs. 448.52 lakh, Rs. 475.68 lakh and Rs. 504.01 for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively. The employee cost of SLDC for the year 2012 – 2013 was Rs. 381.05 lakh. The Commission has now viewed the increase in employee cost in line with the annual hike considered for the transmission function in paragraph 4.3 above over the actual employee cost of Rs. 381.05 lakh for the year 2012 – 2013 to estimate the employee cost for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 vis-à-vis the employee cost projected by



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WBSETCL for SLDC function for the respective years and admits the amount of Rs. 448.52 lakh, Rs. 475.68 lakh and Rs. 504.01 lakh as per projection of WBSETCL for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively towards employee cost of SLDC.

4.4.7 Bank charges have been considered as projected by WBSETCL. The Commission has not considered the projected capital expenditure of Rs. 5.92 lakh, Rs. 13.00 lakh and Rs. 21.00 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 in the ARR as such expenses are not in the nature of revenue expenditure. The interest, depreciation, return, etc., as admissible will be considered in ARR after capitalization of such expenses in assets and put into operation. Finally, the Commission considers to deduct the other incomes of SLDC for Rs. 297.96 lakh, Rs. 297.52 lakh and Rs. 299.06 lakh as projected for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively to arrive at the net SLDC charges for the respective years. The Commission now admits the SLDC charges for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 at Rs. 1766.53 lakh, Rs. 1953.57 lakh and Rs. 2153.31 lakh respectively as follows:

Rs in lakh

| Sl. No. | Particulars                         | 2014 – 2015    | 2015 – 2016    | 2016 – 2017    |
|---------|-------------------------------------|----------------|----------------|----------------|
| 1       | ULDC tariff charges                 | 1436.88        | 1580.56        | 1738.62        |
| 2       | Operation & Maintenance             | 180.53         | 194.31         | 209.14         |
| 3       | Employee cost                       | 448.52         | 475.68         | 504.01         |
| 4       | Bank charges                        | 0.52           | 0.54           | 0.60           |
|         | <b>Total Expenditure (A)</b>        | <b>2066.45</b> | <b>2251.09</b> | <b>2452.37</b> |
| 5       | Less: Other income                  | 297.96         | 297.52         | 299.06         |
|         | <b>Total Income (B)</b>             | <b>297.96</b>  | <b>297.52</b>  | <b>299.06</b>  |
|         | <b>Net SLDC charges [(A) – (B)]</b> | <b>1768.49</b> | <b>1953.57</b> | <b>2153.31</b> |

**4.5 Interest on borrowed capital:**

4.5.1 WBSETCL has projected the interest on borrowed capital as Rs. 22090.75 lakh, Rs. 28669.35 lakh and Rs. 31644.86 lakh after net of capitalization for the years



2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively. The above projection includes interest on normative debt for Rs. 4486.06 lakh, Rs. 4727.28 lakh and Rs. 4173.42 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively. WBSETCL has submitted the loan wise details in Form – C to annexure – 1 in their data format volume. Admissibility of interest on normative debt in the tariff order for the fourth control period is being addressed separately in the paragraph 4.5.2 below. The Commission now admits interest on borrowed capital, based on their submission in Form – C, excluding the component of interest on normative debt, interest on working capital and interest on pension bond to the extent of Rs. 17604.69 lakh, Rs. 23942.07 lakh and Rs. 27471.44 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively.

#### **4.5.2 Interest on Normative Debt:**

4.5.2.1 WBSETCL has claimed Rs. 4486.06 lakh, Rs. 4727.28 lakh and Rs. 4173.42 lakh as interest on normative debt for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively based on their projections of addition to fixed assets during the respective years. The Commission has noted that on query, WBSETCL vide their letter MD/WBSETCL/WBERC/41/132 dated 04.03.2014 submitted on 05.03.2014 explained the reasons for delay in execution and completion of capital works. It was also stated that in numerous instances, even inspite of substantial completion of works, the utility was not in a position to complete or commission the transmission lines for reasons beyond the control of the utility. The Commission further noted that total actual addition to borrowed capital for capital works during the years 2007 – 2008 to 2012 – 2013 is higher than the total normative addition to debt during the years calculated on total addition to fixed assets during the years. In this regard, paragraph 2.7.2 of the APR order dated 10.06.2014 of the Commission for the year 2012 – 2013 in case no. APR-37/13-14 may be referred to. Net addition to the original cost of fixed



assets during 2014 – 2015, 2015 – 2016 and 2016 – 2017 as projected by WBSETCL are Rs. 105689.16 lakh, Rs. 80389.56 lakh and Rs. 67746.40 lakh respectively. The Commission noted that the projected capital expenditure and addition to fixed assets during the ensuing years of the fourth control period are very much on the higher side compared to trend for last 4 (four) years.

The Commission accordingly decides to consider only 50% of the projected net addition to fixed assets for the three years of the fourth control period. The net addition to fixed assets during the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 as considered by the Commission are Rs. 52844.58 lakh, Rs. 40194.78 lakh and Rs. 33873.20 lakh respectively. Based on the admitted net addition to fixed assets, normative addition to debt falls short of the actual projected addition to debt. No interest on normative debt is, thus, admissible during any of the years under fourth control period.

The Commission will consider the interest on normative loan, if any, during APR for the concerned year on the basis of actual addition of fixed assets during the respective years vis-à-vis the loan drawal by WBSETCL.

#### **4.5.3 Interest on Bonds for creation of pension fund:**

To take care of the unfunded liability towards staff terminal benefits on actuarial determination, 8.5% Bonds were issued and the amount pertaining to WBSETCL was considered as Rs 27000.00 lakh in Schedule A to the West Bengal Power Sector reforms Transfer Scheme, 2007, the annual interest charge on those Bonds comes to Rs 2295.00 lakh and the same is admitted evenly for 2014 – 2015, 2015 – 2016 and 2016 – 2017.

#### **4.5.4 Interest on Working Capital:**

4.5.4.1 WBSETCL has projected the claim for interest on working capital for the fourth control period as under:



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Rs. in lakh

| <b>Particulars</b>          | <b>2014 – 2015</b> | <b>2015 – 2016</b> | <b>2016 – 2017</b> |
|-----------------------------|--------------------|--------------------|--------------------|
| Interest on working capital | 840.40             | 523.95             | 552.47             |

4.5.4.2 In terms of regulations 5.6.5.1 of the Tariff Regulations, as amended working capital requirement of WBSETCL shall be assessed on normative basis @ 18% on the base amount derived from the annual fixed charges reduced by the elements viz., depreciation, return on equity etc. as determined in the ARR. The amount of working capital for the years under the fourth control period, as projected by WBSETCL, is found less than the amount payable on normative basis as per the above regulation and thus the Commission admits the same.

4.5.4.3 The Commission admits Rs. 840.40 lakh, Rs. 523.95 lakh and Rs. 552.47 lakh for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively towards interest on working capital.

**4.5.5 Other Finance charges:**

4.5.5.1 The other finance charges, as projected by WBSETCL are as follows:

| <b>Particulars</b>                  | <b>2014 – 2015</b> | <b>2015 – 2016</b> | <b>2016 – 2017</b> |
|-------------------------------------|--------------------|--------------------|--------------------|
| (i) Guarantee Commission            | 50.00              | 50.00              | 50.00              |
| (ii) Bank charges                   | 2.50               | 2.50               | 2.50               |
| (iii) Stamp duty registration fee   | 26.00              | 26.00              | 26.00              |
| (iv) Service fee/Commitment charges | 150.00             | 150.00             | 150.00             |
| (v) Arrangers' fee on market bonds  | 25.00              | 25.00              | 25.00              |
| <b>Total</b>                        | <b>253.50</b>      | <b>253.50</b>      | <b>253.50</b>      |

4.5.5.2 WBSETCL has proposed to issue bonds for further amount of Rs. 3500.00 lakh in 2014 – 2015. Rs. 6000.00 lakh in 2015 – 2016 and Rs. 16500.00 lakh in 2016 – 2017 for their projected capital expenditure in those years. Due to this projection, service fees / commitment charges as well as arrangers' fee on market bonds are included under the head 'other finance charges'.



4.5.5.3 WBSETCL has claimed that the actual expenditure on account of finance charges during the year 2012 – 2013 was Rs. 34.21 lakh. The break-up of the cost as per Form 1.17(c) is as follows:

| Sl. No. | Particulars                   | Amount (Rs. in lakh) |
|---------|-------------------------------|----------------------|
| 1       | Bank charges                  | 2.40                 |
| 2       | Service fee/Commitment charge | 16.25                |
| 3       | Guarantee charge              | 15.56                |
|         | Total                         | 34.21                |

4.5.5.4 Though the issue of market bonds has been projected by the utility for the years under fourth control period, the utility may file their APR petition with actual expenditure on account of proposed issue of market bond and the Commission will consider accordingly. In absence of proper justification for higher side projection of other finance charges for the fourth control period, the Commission admits Rs. 34.00 lakh towards other finance charges for each year of the fourth control period in line with the actual expenditure incurred during 2012 – 2013.

#### 4.6 Depreciation:

4.6.1 The amounts of depreciation, as computed by WBSETCL at the rates prescribed in Commission's Tariff Regulations and claimed by them in their application, are as follows:

| Year        | Rs in lakh |
|-------------|------------|
| 2014 – 2015 | 19767.79   |
| 2015 – 2016 | 22431.49   |
| 2016 – 2017 | 24885.50   |

4.6.2 The computations are based on projected capitalization of fixed assets valuing Rs 95607.64 lakh, Rs 110461.97 lakh and Rs 132167.39 lakh during 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively by way of transfer from capital works-in-progress. The chargeable depreciation with such capitalization programme involving considerable amounts can not be precisely determined. The chargeable depreciation, in such a case, may vary on account of the variations in the amounts of year wise planned capitalization with the dates of





putting the assets in commercial operations as well as net of retirement of assets during the year.

4.6.3 Depreciation has been calculated fully on opening depreciable assets and pro-rated for the addition to assets during the ensuing years under fourth control period. The Commission, however, admits depreciation for an amount of Rs. 19767.79 lakh, Rs. 22431.49 lakh and Rs. 24885.50 lakh 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively as projected by WBSETCL to meet their obligation for loan repayment.

**4.7 Advance against Depreciation:**

4.7.1 The Tariff Regulations of the Commission provide for allowing advance against depreciation when the amount of depreciation falls short of the amount of loan repayment in any financial year. The amount of loan repayment, however, is to be restricted to 1/10<sup>th</sup> of the principal amount of original loans. The amounts of loans, parts of which require to be repaid during the concerned financial years are raised through Bonds, from PFC Ltd, REC Ltd and from the Government of West Bengal.

4.7.2 The original amount of loan vis-à-vis repayment projected during 2014 – 2015, 2015 – 2016 and 2016 – 2017 shown by WBSETCL in their petition are reproduced in the table below:

| Sl. No. | Particulars                 | Projected amount of original loan |           |           | Amount of repayment projected |           |           |
|---------|-----------------------------|-----------------------------------|-----------|-----------|-------------------------------|-----------|-----------|
|         |                             | 2014-2015                         | 2015-2016 | 2016-2017 | 2014-2015                     | 2015-2016 | 2016-2017 |
| 1       | Market Bonds (12%)          | 5330.25                           | 5330.25   | 5330.25   | ----                          | ----      | ----      |
| 2       | WBSETCL Bonds (9.75%)       | 18300.00                          | 18300.00  | 18300.00  | 1830.00                       | 1830.00   | 1830.00   |
| 3       | WBSETCL Bonds 2011 (10.29%) | 25000.00                          | 25000.00  | 25000.00  | ----                          | ----      | ----      |
| 4       | New Bonds 2011 (10%)        | 3500.00                           | 3500.00   | 9500.00   | ----                          | ----      | ----      |
| 5       | Other Market Bonds (8.5%)   | 27000.00                          | 27000.00  | 27000.00  | ----                          | ----      | 5400.00   |
| 6       | PFC Ltd (9.74%)             | 4904.00                           | 4904.00   | 4904.00   | 421.12                        | 421.12    | 496.22    |
| 7       | RECL (11.06%)               | 71326.85                          | 87294.52  | 110951.23 | 4783.85                       | 4783.85   | 5880.88   |
| 8       | L.I.C.I (10.10%)            | 16365.00                          | 16365.00  | 16365.00  | 1250.20                       | 1250.20   | 1250.20   |
| 9       | NABAD Bank (10.25%)         | 20928.00                          | 30285.88  | 51644.14  | 59.37                         | 439.22    | 1044.43   |



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|    |                         |           |           |           |          |          |          |
|----|-------------------------|-----------|-----------|-----------|----------|----------|----------|
| 10 | UBI (12.45%)            | 25000.00  | 25000.00  | 25000.00  | ----     | ----     | ----     |
| 11 | Allahabad Bank (11.98%) | 20000.00  | 20000.00  | 20000.00  | 1668.00  | 1668.00  | 1737.49  |
| 12 | ICICI Bank (11.91%)     | 9000.00   | 9000.00   | 9000.00   | 1000.00  | 1000.00  | 1000.00  |
| 13 | Govt. of W.B.(8.50%)    | 117195.00 | 117195.00 | 117195.00 | 4850.50  | 4850.50  | 4850.50  |
|    | Total                   | 363849.10 | 389174.65 | 440189.62 | 15863.04 | 16242.89 | 23489.72 |

4.7.3 The Commission now considers the depreciation as admitted in this order and repayment of loan as projected by WBSETCL in their application for arriving at the admissible amount of advance against depreciation for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017. While arriving at the amount of repayment for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017, the amounts projected towards swapping of loan have been excluded from the total amount of repayment.

4.7.4 In terms of Tariff Regulations, as amended, the actual admissible amount of advance against depreciation for 2014 – 2015, 2015 – 2016 and 2016 – 2017 works out as under:

|         |                                                                                                                 | Rs in lakh |           |           |
|---------|-----------------------------------------------------------------------------------------------------------------|------------|-----------|-----------|
| Sl. No. | Particulars                                                                                                     | 2014-2015  | 2015-2016 | 2016-2017 |
| (i)     | Repayment of loans during the year                                                                              | 15863.04   | 16242.89  | 23489.72  |
| (ii)    | 1/10 <sup>th</sup> of the Principal amount of loan as projected                                                 | 36384.91   | 38917.47  | 44018.96  |
| (iii)   | Maximum permissible amount of loan repayment restricted to 1/10 <sup>th</sup> of original principal loan amount | 15863.04   | 16242.89  | 23489.72  |
| (iv)    | Depreciation admitted                                                                                           | 19767.79   | 22431.49  | 24885.50  |
| (v)     | Amount allowable for Advance against depreciation [(iii)-(iv)]                                                  | ----       | ----      | ----      |

4.7.5 WBSETCL is to take note that if the amounts of actual loan repayments including repayments to the Govt. of West Bengal fall short of the amounts of scheduled loan repayments, interest at the average rate of borrowings will be charged on the amounts of such shortfalls for adjustments at the time of APR.

**4.8 Charges Payable for Bakreswar Transmission System:**

4.8.1 The intra-state transmission system comprising of two numbers of 400 KV and three numbers of 220 KV lines terminating at Jeerat, Arambag, Gokarna, Satgachia and Durgapur respectively constructed by the West Bengal Power



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Development Corporation Limited (WBPDCCL) along with its Bakreswar Power Station, form an integral part of the transmission system being operated by WBSETCL. The annual fixed charges of the assets comprising of interest, depreciation and return on equity, as admitted in paragraph 5.18.2 of the tariff order for WBPDCCL for the year 2014 – 2015 in case no. TP-59/13-14, are found as under:

| Particulars                      | 2014–2015      | 2015–2016      | 2016–2017      |
|----------------------------------|----------------|----------------|----------------|
| (a) Depreciation                 | 1725.42        | 1725.42        | 1158.16        |
| (b) Interest on borrowed capital | 509.29         | 409.33         | 309.37         |
| (c) Return on equity             | 1439.58        | 1439.58        | 1439.58        |
| <b>Total</b>                     | <b>3674.29</b> | <b>3574.33</b> | <b>2907.11</b> |

Rs in lakh

WBSETCL needs to reimburse the above costs to WBPDCCL.

- 4.8.2 In paragraphs 5.18.5, 5.18.6 and 5.18.7 of the tariff order for WBPDCCL for the year 2014 – 2015 in case no. TP-59/13-14 the Commission has considered to adjust in the tariff order of WBSETCL for the year 2014 – 2015 the amount of Rs. 2437.69 lakh being excess recovery by WBPDCCL from WBSETCL during 2012 – 2013 and Rs. 558.03 lakh, the amount being recoverable by WBPDCCL from WBSETCL for the year 2011 – 2012 as found in the APR order dated 21.07.2014 in respect of WBPDCCL for the year 2012 – 2013 in case no. APR-39/13-14.
- 4.8.3 In addition to above, an amount of Rs. 1769.15 lakh per annum in terms of Commission's order dated 16.01.2009 in the case no. OA-48/08-09 is also required to be reimbursed to WBPDCCL.
- 4.8.4 The amount of charges to be paid by WBSETCL to WBPDCCL during the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 on account of Bakreswar Transmission System thus arrived at and admitted by the Commission are as follows:

| Particulars                                        | 2014–2015   | 2015–2016 | 2016–2017 |
|----------------------------------------------------|-------------|-----------|-----------|
| (a) Fixed charges for Bakreswar Transmission Asset | 3674.29     | 3574.33   | 2907.11   |
| (b) Adjustment as mentioned in paragraph 4.8.2     | (-) 2437.69 | 0.00      | 0.00      |

Rs in lakh



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|                                                       |         |         |         |
|-------------------------------------------------------|---------|---------|---------|
| (c) Adjustment as mentioned in paragraph 4.8.2        | 558.03  | 0.00    | 0.00    |
| (d) Additional amount as mentioned in paragraph 4.8.3 | 1769.15 | 1769.15 | 1769.15 |
| Total                                                 | 3563.78 | 5343.48 | 4676.26 |

4.8.5 The above charges payable to WBPDCCL are, however, subject to adjustment on actual basis as per audited accounts to be determined during annual performance review of the concerned years. Resultant effect for such adjustment is also to be carried out in the APR of WBSETCL for the respective years.

4.8.6 Considering the same, the charges payable to WBPDCCL for Bakreswar Transmission system for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 and admitted by the Commission are as follows:

| Year        | Charges payable to WBPDCCL for Bakreswar Transmission System (Rs. in lakh) |
|-------------|----------------------------------------------------------------------------|
| 2014 – 2015 | 3563.78                                                                    |
| 2015 – 2016 | 5343.48                                                                    |
| 2016 – 2017 | 4676.26                                                                    |

**4.9 Charges payable to Eastern Regional Power Committee (ERPC):**

4.9.1 WBSETCL has projected an amount of Rs. 15.00 lakh, Rs. 15.00 lakh and Rs. 15.00 lakh respectively for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 towards charges payable to ERPC.

4.9.2 It is observed from the annual reports and accounts for 2012 – 2013 of WBSETCL that such charge for 2012 – 2013 was Rs. 15.00 lakh. Thus the Commission admits the amount of Rs. 15.00 lakh for each year of 2014 – 2015, 2015 – 2016 and 2016 – 2017 as charges to ERPC.

**4.10 Tax payable under Income Tax Act:**

4.10.1 The taxes payable under the provisions of Income Tax Act claimed by WBSETCL for fourth control period are as under:

Rs in lakh

| Particulars | 2014-2015 | 2015-2016 | 2016-2017 |
|-------------|-----------|-----------|-----------|
| Income Tax  | 8860.65   | 11029.75  | 10056.73  |



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4.10.2 If the profits of WBSETCL booked in their annual accounts remain at the level of returns being allowed by the Commission, it will require to pay Minimum Alternative Tax (MAT). Accordingly, the provisions for taxes payable under the provision of Income Tax Act are being allowed as under, subject to adjustment on assessment of tax and payments made on the basis of actual tax liability in the APR for the concerned years:

| <b>Particulars</b> | <b>Rs in lakh</b> |                  |                  |
|--------------------|-------------------|------------------|------------------|
|                    | <b>2014–2015</b>  | <b>2015–2016</b> | <b>2016–2017</b> |
| Allowable Returns  | 28867.87          | 32974.19         | 36418.34         |
| MAT @ 20.9605%     | 6050.85           | 6911.56          | 7633.47          |

4.10.3 WBSETCL is directed to submit a comprehensive statement incorporating the amounts of (i) income tax provided in the annual reports and accounts, (ii) income tax assessed, (iii) income tax paid and (iv) income tax refunded, if any, supported by documentary evidences vide assessment orders, copies of challans, copies of refund orders year wise from the year 2011 – 2012 till date with their APR application for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017. In this respect, the provisions in the regulations 5.13.1 and 5.13.2 may be referred to.

**4.11 Return on Equity:**

4.11.1 WBSETCL has projected equity base of Rs. 232204.35 lakh, Rs. 261072.24 lakh and Rs. 294046.45 lakh at the beginning of each year under fourth control period and as per tariff petition addition to equity base of Rs. 28867.89 lakh, Rs. 32974.21 lakh and Rs. 36418.34 lakh are proposed for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017 respectively. Net addition to the original cost of fixed asset during each year under fourth control period as projected by WBSETCL are Rs. 105689.16 lakh, Rs. 80389.56 lakh and Rs. 67746.40 lakh



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after deduction of contribution from consumers including advance on them as submitted by WBSETCL in Form 1.18 of Annexure – I in their petition. As already explained in paragraph 4.5.2, the Commission considers 50% of such projected asset addition during the respective years. The net addition to fixed assets during the years of 2014 – 2015, 2015 – 2016 and 2016 – 2017 as considered by the Commission are Rs. 52844.58 lakh, Rs. 40194.78 lakh and Rs. 33873.20 lakh respectively. On the basis of the information furnished by the licensee, the allowable return on average admissible equity base for the years under fourth control period are computed as follows:

Rupees in Lakh

| Sl. No. | Particulars                                                                                             | 2014–2015 | 2015–2016 | 2016–2017 |
|---------|---------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|
| 1       | Actual equity base considered at the beginning of the year                                              |           |           |           |
|         | Share Capital                                                                                           | 110552.00 | 110552.00 | 110552.00 |
|         | Free Reserve                                                                                            | 121652.35 | 150520.24 | 183494.45 |
|         | Total                                                                                                   | 232204.35 | 261072.24 | 294046.45 |
| 2       | Admissible equity base at the beginning of the year                                                     | 171810.36 | 187663.73 | 199722.16 |
| 3       | Addition to Equity base for the year                                                                    | 28867.89  | 27859.24  | 30022.41  |
| 4       | Actual Equity base at the end of the year [(1) + (3)]                                                   |           |           |           |
|         | Share Capital                                                                                           | 110552.00 | 110552.00 | 110552.00 |
|         | Free Reserve                                                                                            | 150520.24 | 178379.48 | 213516.86 |
|         | Total                                                                                                   | 261072.24 | 288931.48 | 324068.86 |
| 5       | Net addition to fixed asset during the year {form 1.18(a) of Annexure – 1}                              | 105689.16 | 80389.56  | 67746.40  |
| 6       | Net addition to fixed assets considered by the Commission during the years (50% of the projected value) | 52844.58  | 40194.78  | 33873.20  |
| 7       | Normative addition to Equity base {30% of (6)}                                                          | 15853.37  | 12058.43  | 10161.96  |
| 8       | Addition to equity base considered for the year lower of (3) and (7)                                    | 15853.37  | 12058.43  | 10161.96  |
| 9       | Admissible equity base at the end of the year {(2) + (8)}                                               | 187663.73 | 199722.16 | 209884.12 |
| 10      | Average admissible equity base to be considered for return {(2) + (9)}/2                                | 179737.05 | 193692.95 | 204803.14 |
| 11      | Rate of return considered                                                                               | 15.50%    | 15.50%    | 15.50%    |
|         | Return on equity (ROE)                                                                                  | 27859.24  | 30022.41  | 31744.49  |



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4.11.2 It is to be clarified that the equity bases admitted for allowing returns as shown in the referred annexure are computed for the prospective years and therefore they need adjustments subsequently on the basis of the audited accounts. Such adjustments will be carried out at the time of APR for the concerned years.

**4.12 Special Allocation:**

4.12.1 WBSETCL has projected claims for adjustment of tariff recoverable for the years 2009 – 2010 to 2013 – 2014 under this head during the fourth control period as follows:

Rupees in Lakh

| Projected Special Allocation |                                                           |                        |                 |                |
|------------------------------|-----------------------------------------------------------|------------------------|-----------------|----------------|
| Sl. No                       | Particulars                                               | As proposed by WBSETCL |                 |                |
|                              |                                                           | 2014-2015              | 2015-16         | 2016-17        |
| 1.                           | Recovery of APR adjustment for 2009 – 2010                | 2423.91                | 2423.91         | 0.00           |
| 2.                           | Recovery of APR adjustment for 2010 – 2011                | 928.39                 | 928.39          | 0.00           |
| 3.                           | Recovery of APR adjustment for 2011 – 2012                | 2980.84                | 1490.42         | 0.00           |
| 4.                           | Recovery of APR adjustment for 2008 – 2009 (Review Order) | 0.00                   | 4049.34         | 0.00           |
| 5.                           | Recovery of APR adjustment for 2012 – 2013                | 0.00                   | 2749.95         | 0.00           |
| 6.                           | Recovery of APR adjustment for 2013 – 2014                | 0.00                   | 0.00            | 4625.32        |
|                              | <b>Total</b>                                              | <b>6333.14</b>         | <b>11642.01</b> | <b>4625.32</b> |

4.12.2 The recovery of APR adjustment for 2009 – 2010 and APR adjustment for 2010 – 2011 as mentioned under serials nos. 1 & 2 are admitted by the Commission.

4.12.3 The recovery of APR adjustment for 2011 – 2012 for an amount of Rs. 4471.26 lakh as mentioned under serial no. 3 is not being considered by the Commission as the decision of the Commission has been given in the review order dated 10.06.2014 in case no. APR(R)-4/13-14 in respect of review of the APR order for 2011 – 2012.

4.12.4 In regard to the claim of Rs. 4049.34 lakh against the APR adjustment of 2008 – 2009 as mentioned under serial no. 4, this is mentioned that the amounts



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recoverable in APR for 2008 – 2009 were reviewed for adjustment in APR for 2010 – 2011. In the review order dated 10.06.2014 in case no. APR(R)-1/12.13 for review of the ARR order for 2010 – 2011, the Commission admits Rs. 3408.79 lakh on account of APR for 2008 – 2009 and decides to adjust the same in the ARR for 2014 – 2015.

4.12.5 In regard to the claim of Rs. 2749.95 lakh on account of APR for 2012 – 2013 against serial no. 5 above, this is mentioned that an amount of Rs. 583.03 lakh has been found recoverable by WBSETCL in APR order dated 10.06.2014 for 2012 – 2013 in case no. APR-37/13-14. The recoverable amount of Rs. 583.03 lakh will be adjusted in ARR for 2014 – 2015.

4.12.6 Regarding the claim of WBSETCL for Rs. 4625.32 lakh on account of APR for 2013 – 2014 against serial no. 6 above, the decision of the Commission will be given in the APR order for 2013 – 2014.

4.12.7 The adjustment as given below being admitted by the Commission will be carried out in chapter 5 of this order.

| Sl. No | Particulars                                               | As claimed by WBSETCL |                 |                | As admitted by the Commission |                |             |
|--------|-----------------------------------------------------------|-----------------------|-----------------|----------------|-------------------------------|----------------|-------------|
|        |                                                           | 2014-2015             | 2015-16         | 2016-17        | 2014-2015                     | 2015-16        | 2016-17     |
| 1.     | Recovery of APR adjustment for 2009 – 2010                | 2423.91               | 2423.91         | 0.00           | 2423.91                       | 2423.91        | 0.00        |
| 2.     | Recovery of APR adjustment for 2010 – 2011                | 928.39                | 928.39          | 0.00           | 928.39                        | 928.39         | 0.00        |
| 3.     | Recovery of APR adjustment for 2011 – 2012                | 2980.84               | 1490.42         | 0.00           | 0.00                          | 0.00           | 0.00        |
| 4.     | Recovery of APR adjustment for 2008 – 2009 (Review Order) | 0.00                  | 4049.34         | 0.00           | 0.00                          | 3408.00        | 0.00        |
| 5.     | Recovery of APR adjustment for 2012 – 2013                | 0.00                  | 2749.94         | 0.00           | 583.03                        | 0.00           | 0.00        |
| 6.     | Recovery of APR adjustment for 2013 – 2014                | 0.00                  | 0.00            | 4625.32        | 0.00                          | 0.00           | 0.00        |
|        | <b>Total</b>                                              | <b>6333.14</b>        | <b>11642.00</b> | <b>4625.32</b> | <b>3935.33</b>                | <b>6760.30</b> | <b>0.00</b> |

Rupees in Lakh

**4.13 Income from Non-tariff sources:**

4.13.1 Incomes from other non-tariff sources, including interest from fixed deposits and bank balances, as projected by WBSETCL are as under:





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**Rs in lakh**

| Sl. No. | Particulars                                                    | As claimed by WBSETCL |         |         |
|---------|----------------------------------------------------------------|-----------------------|---------|---------|
|         |                                                                | 2014-15               | 2015-16 | 2016-17 |
| 1       | Income from investment and bank balance                        | 500.00                | 500.00  | 500.00  |
| 2       | Interest on balance of reserve for unforeseen exigencies       | 471.31                | 514.20  | 560.99  |
| 3       | Other income                                                   | 1371.28               | 1479.19 | 1596.43 |
|         | Total                                                          | 2342.59               | 2493.39 | 2657.42 |
| 4       | Less: Interest on balance of reserve for unforeseen exigencies | 471.31                | 514.20  | 560.99  |
| 5       | Income from non tariff sources                                 | 1871.28               | 1979.19 | 2096.43 |

4.13.2 Besides income from profit from sale of tender papers, sale of scrapped assets and other miscellaneous income under the head 'other income' at sl. No. 3, the above amount includes income from investments and bank balances and interest on bank balance of reserve for unforeseen exigencies. However, WBSETCL has projected that such income shall exclude interest on investment on reserve for unforeseen exigencies. As per Tariff Regulations, the income from reserve for unforeseen exigencies should be reinvested to the fund. However, the claim of WBSETCL for 2014 – 2015, 2015 – 2016 and 2016 – 2017 has been admitted for the concerned years under fourth control period as under sl. No. 5 above.

**4.14 Income from Short Term Open Access Charges (STOA):**

4.14.1 WBSETCL in their MYT petition has projected the following amounts towards income from STOA charges:

| Particulars              | Rs in lakh |         |         |
|--------------------------|------------|---------|---------|
|                          | 2014-15    | 2015-16 | 2016-17 |
| Income from STOA charges | 6930.48    | 7277.00 | 7640.85 |



4.14.2 Considering the annual reports and accounts for the year 2012 – 2013 the Commission admitted the amounts as claimed by WBSETCL towards ‘income from STOA charges’ for the years 2014 – 2015, 2015 – 2016 and 2016 – 2017.

**4.15 Interest Credit:**

4.15.1 WBSETCL has claimed the amount of Rs. 169.87 lakh and Rs. 222.75 lakh for the years 2015 – 2016 and 2016 – 2017 towards ‘interest credit’ under fourth control period.

4.15.2 In terms regulation 5.5.3 of the Tariff Regulations, where the actual amount of loan repayment in any year is less than the amount of depreciation admitted by the Commission, an interest credit at the rate of weighted average cost of debt is provided on such excess depreciation charged. The calculation in this regard is as below:

Rupees in Lakh

| Sl. No | Particular                                 | As admitted by the Commission |          |          |
|--------|--------------------------------------------|-------------------------------|----------|----------|
|        |                                            | 2014-15                       | 2015-16  | 2016-17  |
| 1      | Depreciation allowed under paragraph 3.9   | 19767.79                      | 22431.49 | 24885.50 |
| 2      | Repayment of loan vide paragraph 3.10.2    | 15863.04                      | 16242.89 | 23489.72 |
| 3      | Excess depreciation admitted               | 3904.75                       | 6188.60  | 1395.78  |
| 4      | Weighted average cost of debt as projected | 6.56%                         | 7.70%    | 7.34%    |
| 5      | Interest credit admitted by the Commission | 256.15                        | 476.52   | 102.45   |



## ANNEXURE – 4A

TABLE-1

## ANNUAL ACTUAL FIGURE OF DIFFERENT BUSINESS PARAMETERS OF WBSETCL HAVING IMPACT ON TARIFF

| Sl No | Particulars                                                                        | Units   | Inflation<br>ary<br>Basis | 2009-<br>10    | 2010-<br>11    | 2011-<br>12    | 2012-13        | Estimated by<br>WBSETCL for<br>base year 2013-14 | Computed value<br>of 2013-14 by<br>the Commission | Admitted amount<br>by Commission for<br>base year 2013-14 |
|-------|------------------------------------------------------------------------------------|---------|---------------------------|----------------|----------------|----------------|----------------|--------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|
| 1     | Total line-length on 31st March                                                    | CKM     |                           | 11457          | 11461          | 11095          | 11445          | 11951                                            | 11950.7                                           | 11951                                                     |
| 2     | Increase in Line Length                                                            | %       |                           |                | 0.030          | -3.190         | 3.150          | 4.42                                             | 4.42                                              | 4.42                                                      |
| 3     | Repair & Maintenance<br>Expenditure                                                | Rs Lakh | WPI+CPI                   | 1692.33        | 3079.81        | 2849.39        | 3175.58        | 3955.80                                          | 3564.01                                           | 3564.01                                                   |
| 4     | - Rent                                                                             | Rs Lakh | WPI+CPI                   | 52.33          | 81             | 68.19          | 80.42          | 92.80                                            | 90.00                                             | 90.00                                                     |
| 5     | - Auditors Fees                                                                    | Rs Lakh | WPI+CPI                   | 22.18          | 19.95          | 36.79          | 55.4           | 60.94                                            | 60.94                                             | 60.94                                                     |
| 6     | - Legal Charges                                                                    | Rs Lakh | WPI+CPI                   | 8.49           | 1.84           | 2.75           | 2.34           | 3.00                                             | 2.63                                              | 2.63                                                      |
| 7     | - Others Administrative and<br>General Expenses                                    | Rs Lakh | WPI+CPI                   | 584.87         | 687.69         | 851.77         | 1005.76        | 1100.17                                          | 1100.17                                           | 1100.17                                                   |
| 8     | <b>Total Administrative &amp; General<br/>Expenses (4+5+6+7)</b>                   | Rs Lakh |                           | <b>667.87</b>  | <b>790.48</b>  | <b>959.5</b>   | <b>1143.92</b> | <b>1256.87</b>                                   | <b>1253.7362</b>                                  | <b>1253.7362</b>                                          |
| 9     | <b>Total O&amp;M Function Expenses<br/>(3+8)</b>                                   | Rs Lakh |                           | <b>2360.20</b> | <b>3870.29</b> | <b>3808.89</b> | <b>4319.50</b> | <b>5212.71</b>                                   | <b>4817.75</b>                                    | <b>4817.75</b>                                            |
| 10    | Rates & Taxes                                                                      | Rs Lakh | WPI+CPI                   | 28.66          | 195.49         | 130.04         | 109.54         | 235.95                                           | 123.00                                            | 123.00                                                    |
| 11    | Insurance                                                                          | Rs Lakh | WPI+CPI                   | 26.02          | 1.97           | 0.29           | 0.00           | 0.00                                             | 0.00                                              | 0.00                                                      |
| 12    | Vehicle running expenses                                                           | Rs Lakh | WPI+CPI                   | 477.4          | 500.91         | 570.38         | 573.42         | 630.76                                           | 630.76                                            | 630.76                                                    |
| 13    | Security Expenses                                                                  | Rs Lakh | CPI                       | 711.22         | 911.06         | 1002.47        | 1394.45        | 1745.30                                          | 1565.02                                           | 1565.02                                                   |
| 14    | <b>Total Cost for Outsourcing<br/>(Manpower &amp; vehicle hiring )<br/>(12+13)</b> | Rs Lakh |                           | <b>1188.62</b> | <b>1411.97</b> | <b>1572.85</b> | <b>1967.87</b> | <b>2376.06</b>                                   | <b>2195.777</b>                                   | <b>2195.777</b>                                           |
| 15    | <b>Total (9+10+11+14)</b>                                                          | Rs Lakh |                           | <b>3603.50</b> | <b>5479.72</b> | <b>5512.07</b> | <b>6396.91</b> | <b>7824.72</b>                                   | <b>7136.53</b>                                    | <b>7136.53</b>                                            |



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| Sl No | Particulars                                                                | Inflationary Basis | CAGR (%) between   |                    |                    | Average Inflation Rate during the Concerned period \$ | Whether Inflation rate is applicable | Additional Escalation Rate above inflation rate | Ratio of Expenses increase and sensitivity parameter increase | Escalation rate (%) considered for |         |         | Remarks |
|-------|----------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------------------------------------|--------------------------------------|-------------------------------------------------|---------------------------------------------------------------|------------------------------------|---------|---------|---------|
|       |                                                                            |                    | 2012-13 to 2013-14 | 2011-12 to 2013-14 | 2010-11 to 2013-14 |                                                       |                                      |                                                 |                                                               | 2014-15                            | 2015-16 | 2016-17 |         |
| 1     | Total line-length on 31st March (CKM)                                      |                    |                    |                    |                    |                                                       |                                      |                                                 |                                                               | 12479                              | 13031   | 13607   |         |
| 2     | Increase in %                                                              |                    | 4.42               | 3.79               | 1.41               |                                                       |                                      |                                                 |                                                               | 4.42                               | 4.42    | 4.42    |         |
| 3     | Repair & Maintenance Expenditure                                           | WPI+CPI            | 12.23              | 17.82              | 8.70               | 8.69                                                  | Yes                                  | 0.01                                            | 0.01                                                          | 6.13                               | 8.17    | 8.17    |         |
| 4     | - Rent                                                                     | WPI+CPI            | 11.91              | 14.89              | 3.58               | 8.69                                                  | No                                   |                                                 |                                                               | 3.94                               | 3.94    | 3.94    |         |
| 5     | - Auditors fees                                                            | WPI+CPI            | 10.00              | 28.70              | 45.09              | 7.48                                                  | Yes                                  | 2.52                                            | 0.57                                                          | 7.20                               | 9.24    | 9.24    | R=0.25  |
| 6     | - Legal Charges                                                            | WPI+CPI            | 12.23              | 4.40               | 17.65              | 8.27                                                  | No                                   |                                                 |                                                               | 4.84                               | 4.84    | 4.84    |         |
| 7     | - Others Administrative and General Expenses                               | WPI+CPI            | 9.39               | 13.65              | 16.95              | 7.48                                                  | No                                   |                                                 |                                                               | 10.33                              | 10.33   | 10.33   |         |
| 8     | <b>Total Administrative &amp; General Expenses (4+5+6+7)</b>               |                    |                    |                    |                    |                                                       |                                      |                                                 |                                                               |                                    |         |         |         |
| 9     | <b>Total O&amp;M Function Expenses (3+8)</b>                               |                    |                    |                    |                    |                                                       |                                      |                                                 |                                                               |                                    |         |         |         |
| 10    | Rates & Taxes                                                              | WPI+CPI            | 12.29              | 34.70              | 6.48               | 8.69                                                  | No                                   |                                                 |                                                               | 7.13                               | 7.13    | 7.13    |         |
| 11    | Insurance                                                                  | WPI+CPI            | NA                 | NA                 | NA                 | NA                                                    | No                                   |                                                 |                                                               | NA                                 | NA      | NA      |         |
| 12    | Vehicle running expenses                                                   | WPI+CPI            | 10                 | 7.99               | 5.16               | 8.69                                                  | No                                   |                                                 |                                                               | 5.68                               | 5.68    | 5.68    |         |
| 13    | Security Expenses                                                          | CPI                | 12.23              | 24.95              | 19.77              | 7.48                                                  | Yes                                  | 4.75                                            | 1.07                                                          | 7.96                               | 10.30   | 10.30   | R=0.26  |
| 14    | <b>Total Cost for Outsourcing (Manpower &amp; vehicle hiring ) (12+13)</b> |                    |                    |                    |                    |                                                       |                                      |                                                 |                                                               |                                    |         |         |         |



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TABLE-3

| COMPUTATION OF PROJECTED EXPENSES OF WBSETCL FOR 4TH CONTROL PERIOD (2014-15 TO 2016-17) |                                                                 |         |                                       |                                                 |                               |                                       |                                                 |                               |                                       |                                                 |                               |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------|---------------------------------------|-------------------------------------------------|-------------------------------|---------------------------------------|-------------------------------------------------|-------------------------------|---------------------------------------|-------------------------------------------------|-------------------------------|
| Sl No                                                                                    | Particulars                                                     | Units   | Claimed amount for 2014-15 by WBSETCL | Computed Expenses for 2014-15 by the Commission | Admitted Expenses for 2014-15 | Claimed amount for 2015-16 by WBSETCL | Computed Expenses for 2015-16 by the Commission | Admitted Expenses for 2015-16 | Claimed amount for 2016-17 by WBSETCL | Computed Expenses for 2016-17 by the Commission | Admitted Expenses for 2016-17 |
| 1                                                                                        | Total line-length on 31st March                                 | CKM     |                                       | 12479.00                                        | 12479.00                      |                                       | 13031.00                                        | 13031.00                      |                                       | 13607.00                                        | 13607.00                      |
| 2                                                                                        | Repair & Maintenance Expenditure                                | Rs Lakh | 4928.96                               | 3782.64                                         | 3782.64                       | 6143.06                               | 4091.84                                         | 4091.84                       | 7658.05                               | 4426.31                                         | 4426.31                       |
| 3                                                                                        | - Rent                                                          | Rs Lakh | 107.1                                 | 93.54                                           | 93.54                         | 123.59                                | 97.23                                           | 97.23                         | 142.62                                | 101.06                                          | 101.06                        |
| 4                                                                                        | - Auditors Fees                                                 | Rs Lakh | 67.03                                 | 65.32                                           | 65.32                         | 73.74                                 | 71.36                                           | 71.36                         | 81.11                                 | 77.95                                           | 77.95                         |
| 5                                                                                        | - Legal Charges                                                 | Rs Lakh | 3.00                                  | 2.75                                            | 2.75                          | 3.00                                  | 2.89                                            | 2.89                          | 3.00                                  | 3.03                                            | 3.00                          |
| 6                                                                                        | - Others Administrative and General Expenses                    | Rs Lakh | 967.87                                | 1213.81                                         | 967.87                        | 1022.17                               | 1067.84                                         | 1022.17                       | 1075.87                               | 1127.75                                         | 1075.87                       |
| 7                                                                                        | Total Administrative & General Expenses(3+4+5+6)                | Rs Lakh | 1145.00                               | 1375.43                                         | 1129.49                       | 1222.50                               | 1239.31                                         | 1193.64                       | 1302.60                               | 1309.78                                         | 1257.87                       |
| 8                                                                                        | Total O&M Function Expenses (2+7)                               | Rs Lakh | 6073.96                               | 5158.06                                         | 4912.13                       | 7365.56                               | 5331.15                                         | 5285.49                       | 8960.65                               | 5736.09                                         | 5684.18                       |
| 9                                                                                        | Rates & Taxes                                                   | Rs Lakh | 120.00                                | 131.77                                          | 120.00                        | 132.00                                | 128.55                                          | 128.55                        | 145.20                                | 137.72                                          | 137.72                        |
| 10                                                                                       | Insurance                                                       | Rs Lakh | 0                                     | 0.00                                            | 0.00                          | 0.00                                  | 0.00                                            | 0.00                          | 0                                     | 0.00                                            | 0.00                          |
| 11                                                                                       | Vehicle running expenses                                        | Rs Lakh | 693.84                                | 666.56                                          | 666.56                        | 763.84                                | 704.40                                          | 704.40                        | 893.54                                | 744.38                                          | 744.38                        |
| 12                                                                                       | Security Expenses                                               | Rs Lakh | 2184.42                               | 1689.58                                         | 1689.58                       | 2734.02                               | 1863.59                                         | 1863.59                       | 3421.91                               | 2055.53                                         | 2055.53                       |
| 13                                                                                       | Total Cost for Outsourcing (Manpower & vehicle hiring ) (11+12) | Rs Lakh | 2878.26                               | 2356.14                                         | 2356.14                       | 3497.86                               | 2567.99                                         | 2567.99                       | 4315.45                               | 2799.91                                         | 2799.91                       |
| 14                                                                                       | Total (8+9+10+13)                                               | Rs Lakh | 9072.22                               | 7645.97                                         | 7388.27                       | 10995.42                              | 8027.69                                         | 7982.02                       | 13421.30                              | 8673.71                                         | 8621.81                       |



## ANNEXURE – 4B

| <b>Monthly Rate of Inflation in CPI number for Industrial Worker</b> |       |       |       |       |       |       |       |       |       |       |       |       |         |
|----------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|
| Year                                                                 | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Jan   | Feb   | March | Average |
| 2010-11                                                              | 13.33 | 13.91 | 13.73 | 11.25 | 9.88  | 9.82  | 9.7   | 8.33  | 9.47  | 9.3   | 8.82  | 8.82  | 10.53   |
| 2011-12                                                              | 9.41  | 8.72  | 8.62  | 8.43  | 8.99  | 10.06 | 9.39  | 9.34  | 6.49  | 5.32  | 7.57  | 8.65  | 8.42    |
| 2012-13                                                              | 10.22 | 10.16 | 10.05 | 9.84  | 10.31 | 9.14  | 9.6   | 9.55  | 11.17 | 11.62 | 12.06 | 11.44 | 10.43   |
| 2013-14                                                              | 10.24 | 10.68 | 11.06 | 10.85 | 10.75 | 10.7  | 11.06 | 11.47 | 9.13  | 7.24  | 6.73  | 6.70  | 9.72    |
| 2014-15                                                              | 7.08  | 7.02  | 6.49  | 7.23  | 6.75  | 6.3   |       |       |       |       |       |       | 6.81    |

Source : Website of Labour Bureau, GOI : Average Value is being Computed

| <b>WPI FROM OFFICE OF ECONOMIC ADVISOR , GOI</b> |       |       |       |       |       |       |       |       |       |       |       |       |
|--------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Year                                             | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Jan   | Feb   | Mar   |
| 2009-10                                          | 125.0 | 125.9 | 126.8 | 128.2 | 129.6 | 130.3 | 131.0 | 132.9 | 133.4 | 135.2 | 135.2 | 136.3 |
| 2010-11                                          | 138.6 | 139.1 | 139.8 | 141.0 | 141.1 | 142.0 | 142.9 | 143.8 | 146.0 | 148.0 | 148.1 | 149.5 |
| 2011-12                                          | 152.1 | 152.4 | 153.1 | 154.2 | 154.9 | 156.2 | 157.0 | 157.4 | 157.3 | 158.7 | 159.3 | 161.0 |
| 2012-13                                          | 163.5 | 163.9 | 164.7 | 165.8 | 167.3 | 168.8 | 168.5 | 168.8 | 168.8 | 170.3 | 170.9 | 170.1 |
| 2013-14                                          | 171.3 | 171.4 | 173.2 | 175.5 | 179.0 | 180.7 | 180.7 | 181.5 | 179.6 | 179.0 | 179.5 | 180.3 |
| 2014-15                                          | 180.8 | 182.0 | 183.0 | 184.6 | 185.7 | 185.0 |       |       |       |       |       |       |

Source : Website of Office of the Economic Advisor, GOI :

| <b>MONTHLY INFLATION RATE COMPUTED BASED ON WPI FROM OFFICE OF ECONOMIC ADVISOR , GOI</b> |       |       |       |      |      |       |      |      |      |      |      |      |         |
|-------------------------------------------------------------------------------------------|-------|-------|-------|------|------|-------|------|------|------|------|------|------|---------|
| Year                                                                                      | Apr   | May   | Jun   | Jul  | Aug  | Sep   | Oct  | Nov  | Dec  | Jan  | Feb  | Mar  | Average |
| 2010-11                                                                                   | 10.88 | 10.48 | 10.25 | 9.98 | 8.87 | 8.98  | 9.08 | 8.20 | 9.45 | 9.47 | 9.54 | 9.68 | 9.57    |
| 2011-12                                                                                   | 9.74  | 9.56  | 9.51  | 9.36 | 9.78 | 10.00 | 9.87 | 9.46 | 7.74 | 7.23 | 7.56 | 7.69 | 8.96    |
| 2012-13                                                                                   | 7.50  | 7.55  | 7.58  | 7.52 | 8.01 | 8.07  | 7.32 | 7.24 | 7.31 | 7.31 | 7.28 | 5.65 | 7.36    |
| 2013-14                                                                                   | 4.77  | 4.58  | 5.16  | 5.85 | 6.99 | 7.05  | 7.24 | 7.52 | 6.40 | 5.11 | 5.03 | 6.00 | 5.98    |
| 2014-15                                                                                   | 5.55  | 6.18  | 5.66  | 5.19 | 3.74 | 2.38  |      |      |      |      |      |      | 4.78    |



## CHAPTER - 5

### SUMMARISED STATEMENT OF AGGREGATE REVENUE REQUIREMENT AND REVENUE RECOVERABLE THROUGH TARIFF

- 5.1 Based on the analyses and findings recorded in the forgoing chapters, the statements of Aggregate Revenue Requirements are drawn separately for each of the three years of the concerned control period. Such summarized statements are given in Annexure 5A to this chapter.
- 5.2 As may be seen in the aforesaid Annexure, the amounts of Aggregate Revenue Requirement for the years of concerned control period are as under:

| Rupees in lakh |           |
|----------------|-----------|
| 2014 – 2015    | 91602.56  |
| 2015 – 2016    | 107119.30 |
| 2016 – 2017    | 117845.19 |

- 5.3 The Commission is now to adjust the amount recoverable by WBSETCL in respect of different APR orders and review orders, as narrated in the preceding chapter under paragraphs 4.12.1 to 4.12.7 to the tune of Rs. 7343.42 lakh and Rs. 3352.30 lakh for the years 2014 – 2015 and 2015 – 2016 respectively. Accordingly, the amount recoverable by WBSETCL after adjustment of special allocation as mentioned above during each year under the fourth control period are given below:

| Sl. No. | Particulars                                                                     | Amount     |             |             |
|---------|---------------------------------------------------------------------------------|------------|-------------|-------------|
|         |                                                                                 | 2014 -2015 | 2015 – 2016 | 2016 – 2017 |
| 1       | Amount determined in ARR as per annexure 5A                                     | 91602.56   | 107119.30   | 117845.19   |
| 2       | Amount adjusted as per paragraphs 4.12.1 to 4.12.7                              | 3935.33    | 6760.39     | 0.00        |
| 3       | Amount recoverable through tariff for the years under the fourth control period | 95537.89   | 113879.69   | 117845.19   |



*Tariff Order of WBSETCL for the year 2011 - 2012*

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- 5.4 The Commission is now to determine the rates for recovery of transmission charges from the different categories of system users for the year 2014 – 2015 and that is being done in the next chapter.





**ANNEXURE – 5A**  
**AGGREGATE REVENUE REQUIREMENT FOR**  
**THE YEARS UNDER FOURTH CONTROL PERIOD**

| AGGREGATE REVENUE REQUIREMENT FOR THE YEARS UNDER FOURTH CONTROL PERIOD |                                                                            |                               |                  |                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------|------------------|------------------|
| Figures in Rs. Lakh                                                     |                                                                            |                               |                  |                  |
| Sl. No.                                                                 | PARTICULARS                                                                | AS ADMITTED BY THE COMMISSION |                  |                  |
|                                                                         |                                                                            | 2014 - 2015                   | 2015 - 2016      | 2015 - 2016      |
| 1                                                                       | Employee Cost including terminal benefit                                   | 17009.95                      | 19304.59         | 21908.78         |
| 2                                                                       | Operation & Maintenance (O&M) Charges                                      |                               |                  |                  |
|                                                                         | (a) Repairs and Maintenance including consumables                          | 3782.64                       | 4091.84          | 4426.31          |
|                                                                         | (b) Administrative & General Charges                                       |                               |                  |                  |
|                                                                         | (i) Rent                                                                   | 93.54                         | 97.23            | 101.06           |
|                                                                         | (ii) Legal charges                                                         | 2.75                          | 2.89             | 3.00             |
|                                                                         | (iii) Audit fees / Expenses                                                | 65.32                         | 71.36            | 77.95            |
|                                                                         | (iv) Other Administrative & General Expenses                               | 967.87                        | 1022.17          | 1075.87          |
|                                                                         | (c) Cost of outsourcing                                                    | 2356.14                       | 2567.99          | 2799.91          |
|                                                                         | Total (2)                                                                  | 7268.26                       | 7853.48          | 8484.10          |
| 3                                                                       | Insurance Premium                                                          | 0.00                          | 0.00             | 0.00             |
| 4                                                                       | Rates & Taxes                                                              | 120.00                        | 128.55           | 137.72           |
| 5                                                                       | SLDC expenses                                                              | 0.00                          | 0.00             | 0.00             |
| 6                                                                       | Interest and Finance Charges                                               |                               |                  |                  |
|                                                                         | (a) On capital borrowings                                                  | 17604.69                      | 23942.07         | 27471.44         |
|                                                                         | (b) On bonds for terminal benefits to employee                             | 2295.00                       | 2295.00          | 2295.00          |
|                                                                         | (c) On working capital                                                     | 840.40                        | 523.95           | 552.47           |
|                                                                         | (d) Other Finance charges                                                  | 34.00                         | 34.00            | 34.00            |
|                                                                         | Total (6)                                                                  | 20774.09                      | 26795.02         | 30352.91         |
| 7                                                                       | Depreciation                                                               | 19767.79                      | 22431.49         | 24885.50         |
| 8                                                                       | Advance against Depreciation                                               | 0.00                          | 0.00             | 0.00             |
| 9                                                                       | Taxes payable under Income Tax Act                                         | 6050.85                       | 6911.56          | 7633.47          |
| 10                                                                      | Returns on equity                                                          | 27859.24                      | 30022.41         | 31744.49         |
| 11                                                                      | Fixed Charges payable to WBPDC on account of Bakreswar Transmission system | 3563.78                       | 5343.48          | 4676.26          |
| 12                                                                      | Charges payable to ERPC                                                    | 15.00                         | 15.00            | 15.00            |
| 13                                                                      | <b>Gross Revenue Requirement (1 to 12)</b>                                 | <b>102428.96</b>              | <b>118805.58</b> | <b>129838.23</b> |
| 14                                                                      | Less: Deduction for -                                                      |                               |                  |                  |
|                                                                         | Income from other non-tariff sources                                       | 1871.28                       | 1979.19          | 2096.43          |
| 15                                                                      | STOA Charges                                                               | 6930.48                       | 7277.00          | 7640.85          |
| 16                                                                      | Interest Credit                                                            | 256.15                        | 476.52           | 102.45           |
| 17                                                                      | SLDC (Handling Charges)                                                    | 1768.49                       | 1953.57          | 2153.31          |
| 18                                                                      | <b>Sub Total (14 to 17)</b>                                                | <b>10826.40</b>               | <b>11686.28</b>  | <b>11993.04</b>  |
| 19                                                                      | <b>Aggregate Revenue Requirement for the year (13 - 18)</b>                | <b>91602.56</b>               | <b>107119.30</b> | <b>117845.19</b> |



## CHAPTER - 6 TARIFF ORDER

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### DETERMINATION OF THE RATE FOR RECOVERY OF TRANSMISSION CHARGES FOR THE YEAR 2014 – 2015

- 6.1 In the previous chapter the Commission has determined the Aggregate Revenue Requirement (ARR) for all the three years under the third control period. The Commission is now to fix the rate for recovery of the same from the transmission system users during the year 2014 – 2015 in accordance with the provisions of paragraph 6 in the Schedule-3 of the Tariff Regulations, 2011, as amended. The rate at which the amount of Aggregate Revenue will be recovered by WBSETCL from its system users will include all the three components of the transmission tariff i.e., charges for use of the transmission network, system operation charges and reactive power charges. It is, however, to mention here that WBSETCL has got no variable cost to recover from its system users besides the fixed charges as admitted by the Commission in the Statement of Aggregate Revenue Requirement.
- 6.2 As per the submissions of WBSETCL, at present WBSEDCL is the sole long-term user of its transmission network and some other agencies use the same on short term basis on casual requirements.
- 6.3 In regard to the transmission charges payable by the licensees or the open access customers, the computations are to be based on the capacity allocated to each beneficiary based on average of daily peak demand on annual basis. The allocated transmission capacity during the year 2014 – 2015 has been estimated as 5370 MW. The Commission considers to arrive at the unit rate of recovery of transmission charges taking into account the figure of 5370 MW for 2014 – 2015, as projected by WBSETCL. Such recoverable charges are to be expressed in



**Tariff Order of WBSETCL for the year 2014 - 2015**

Rs./MW/month for the long-term customers and in Rs./MW/day for short-term customers on the basis of MW to be served by the system. The unit rate of recovery of transmission charges during 2014 – 2015 from the transmission system users, thus, work out as under:

|      |                                                                                                   |                                                                                                                                                                 |
|------|---------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i)   | Recoverable ARR                                                                                   | Rs. 95537.89 lakh                                                                                                                                               |
| ii)  | Average System Demand on the basis of average of the daily peak                                   | 5370 MW                                                                                                                                                         |
| iii) | Rate for long-term users                                                                          | Rs. 95537.89 lakh/(5370 MW x12)<br>= Rs. 1,48,259.00 / MW / month<br>subject to adjustment as per<br>regulation 9.2 of Schedule 3 of the<br>Tariff Regulations. |
| iv)  | Rate for short-term users                                                                         | Rs. 1,48,259.00 x0.25/30<br>= Rs 1235.49/MW/day.                                                                                                                |
| v)   | Rate payable by short-term users in case of uncongested transmission network, shall be as under:- |                                                                                                                                                                 |
|      | (a) Upto 6 Hours in a day in one block                                                            | 1/4 <sup>th</sup> of the rate for short-term customers.                                                                                                         |
|      | (b) More than 6 Hours and upto 12 Hours in a day in one block                                     | 1/2 of the rate for short-term customers.                                                                                                                       |
|      | (c) More than 12 Hours and upto 24 Hours in a day in one block                                    | at full rate for short-term customers                                                                                                                           |

Provided that the rates as mentioned under (v) in each of the above tables will not be applicable to those short-term customers who have their drawal point within the State of West Bengal and injection point outside the State.

Provided also that the rate for payment of transmission charges payable by a short-term customer, where capacity has been reserved through bidding process, shall be in terms of Commission's Open Access Regulations, 2007, as amended.

6.4 For Bakreswar transmission system of WBPDC, the payable amount during 2014 – 2015 is Rs. 3563.78 lakh. Any adjustment between the payable amount of Rs. 3563.78 lakh for the year 2014 – 2015 and the amount paid by WBSETCL for



the year 2014 – 2015 upto February, 2015 on account of Bakreswar transmission system shall be made by WBPDCCL to WBSETCL during March, 2015 to May, 2015 in equal monthly instalment.

- 6.5 SLDC shall, in terms of sub-section (3) of section 32 of the Electricity Act, 2003 and the provisions of the West Bengal Electricity Regulatory Commission (Miscellaneous Provisions) Regulation, 2005, as amended, levy every month the SLDC charges at the existing rate @ 0.5 paise/kWh from the licensees using intra-state transmission system in the State of West Bengal, on their implemented schedule(s) of injection of power into the grid or on the quanta of electricity transmitted, as the case may be, from the month of April, 2014 onwards. Arrear SLDC charges for the months from April, 2014 to February, 2015, if any, shall be realized by SLDC from the licensees in 2 (two) equal monthly installments from the billing month of / pertaining to March, 2015.
- 6.6 The tariff for 2014 – 2015 shall be applicable from the billing month of / pertaining to April, 2014 to March, 2015 and shall continue for the year 2015 – 2016 till tariff order for the year 2015 – 2016 is issued. Adjustments, if any, for over recovery / under recovery for the period from 01.04.2014 to 28.02.2015 from the system users shall be made in the bills for the months of / pertaining to March, 2015 to April, 2015 in 2 (two) equal installments.
- 6.7 The realizations of the revenue from its transmission system users are supposed to meet the Aggregate Revenue Requirement (ARR) of WBSETCL. The recovery of such revenue over the concerned year on piecemeal basis may result in under or over recovery of the total amount of fixed charges. It is, therefore, stipulated that the amount of any such under or over recovery will be dealt with suitably in the APR for the concerned year.
- 6.8 WBSETCL is directed to submit the audited annual accounts of SLDC for all the years under the control period clubbed with a statement showing item wise and



head wise actual expenses along with their application of APR for the concerned year.

- 6.9 WBSETCL shall present to the Commission a gist of this order in accordance with the regulation 2.9.6 of the Tariff Regulations within three working days from the date of receipt of this order for approval of the Commission and on receipt of the approval shall publish the approved gist in terms of the aforesaid regulation within four working days from the date of receipt of the approval of the Commission.



## **CHAPTER - 7 DIRECTIONS**

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- 7.1 The Commission has given some direction in different paragraphs in Chapter-4 of this order while determining the fixed cost of WBSETCL. WBSETCL shall comply with those directions. WBSETCL shall also comply with the following directions:
- 7.2 In view of the fact that WBSETCL failed to submit their tariff application complete in all respect for the fourth Control period within the target date of 30th November, 2013 as per provisions of the Tariff Regulations thus for the said period no carrying cost has been and will be provided for the enhanced part of the tariff during 2014-15.

The Commission has decided that in future any delay in submission of tariff application by the transmission licensee for any control period beyond 4th control period or any year as applicable will be penalized by not providing any increase in tariff for equal amount of days and thus the under recovery due to such penal measures will not be allowed to pass through any tariff mechanism or during truing up in Annual Performance Review (APR). Moreover henceforth any delay in submission in APR application shall not be considered as ground for delay by the licensee for submission of tariff application.

Further, the licensee is required to note that any delay with or without the approval of the Commission in submission of either of the applications of APR of any year (Y) within the target date as specified in the Tariff Regulations of the following year may result into non-inclusion of the impact of APR order in the concerned tariff order of the year Y+2. In such case, the impact will be considered in any future year beyond Y+2 year as applicable without any allowance for carrying cost, if otherwise applicable. Thus, in filling of



application(s) / petition(s), the licensee is required to maintain the relevant time schedule(s) as specified in the Regulations.

It may be further noted that the arrear amount that is to be recovered in a single or number of installments as will be determined by the commission for any financial year due to issuance of delayed tariff order as consequence to delayed submission of tariff application by the licensee will not be provided with any carrying cost. The letter no WBERC/B-11/17/1737 dated 24.01.2014 of this Commission may be referred to in this respect.

7.3 In the notes of Financial statement of Annual Accounts of 2014-15 and onward or through Auditor's Certificate, the following information is to be provided by WBSETCL in a manner as described below:

- i) The penalty, fine and compensation under Electricity Act 2003 shall also be shown separately for transmission function.
- ii) Any fine, penalty or compensation in any other statute other than Electricity Act 2003 shall be mentioned separately for transmission function along with the reference of the statute.

In case of non submission of the above documents / information the application of APR will not be admitted.

7.4 While submitting APR application of any ensuing year WBSETCL shall submit the certificate from the auditor of the annual accounts of the said year for the following parameters:

- a) Based on fixed asset register the parameters to be submitted are:



- i) Transmission Line length in CKM for each level of Voltage related to the asset of WBSETCL. For the asset which is not owned by the WBSETCL but maintained by WBSETCL shall be shown separately.
  - ii) Similarly the number of transformers and total installed capacity of transformers in MVA or KVA for each category of transformers for transmission system are to be provided.
  - iii) Similarly the voltage wise number of bays in each sub-station and the O&M cost of the each substation is to be given.
- b) List of expenditure arisen on account of penalty, fine and compensation due to non-compliance of any statute or statutory order along with the reasons for each such type of penalty, fine and compensation.
  - c) A statement showing the manpower engaged in different field of activity which are now outsourced partly or fully vis-à-vis the manpower engaged from regular establishment against the respective field of activities.
  - d) Copies of the audited accounts of all the funds related to different type of terminal benefit for the year for which APR is under consideration in a complete shape, not by any selective pages.
  - e) A statement showing monthly deposition in different terminal funds for the year for which APR is under consideration pursuant to the direction given in paragraph 5.0 below.

In case of non submission of the above documents the application of APR will not be admitted.





- 7.5 In case of expenditure at a level higher than the admitted amount under any uncontrollable factor in this tariff order on account of fixed charges, while submitting APR application of any ensuing year WBSETCL has to justify in detail with supporting documents and evidence on the basis of which the Commission will take its decision during truing up exercise and it may be noted that without sufficient justification the excess expenditure may not be admitted in the APR fully or partly. Similarly for controllable factors, where applicable as per the Tariff Regulations, for the same reasons supporting documents and evidence is to be submitted to justify their claim. While truing up any uncontrollable factor on account of fixed charges, the actual business volume parameter (Distribution line length) and actual inflation rate to which such uncontrollable item is sensitive will be considered in the same manner and principle as determined under the tariff order subject to the limitation as per the Tariff Regulations. However, where applicable as per this tariff order the ratio of expenses increase in % on any item and the sensitivity parameter increase will remain the same as that of this tariff order.
- 7.6 While submitting application for APR of 2014-15 and onwards by any licensee, if such application shows any net claim, then in such case the licensee shall suggest in specific terms the ensuing year(s) in which they intend to recover such claim and by what amount. Licensee shall also show the consequential impact of such recovery in the expected average cost of supply in those ensuing years after considering the total revenue recoverable through the tariff. The total revenue recoverable through the tariff means the summated amount of the Net Aggregate Revenue Requirement plus all other amount on account of any release of regulatory asset and APR for any year which is already decided by the Commission in earlier orders. They shall also mention the carrying cost, if necessary, where it is applicable in terms of the Tariff Regulations and different orders and direction in this respect. This consequential impact on tariff shall also be provided in the gist of the APR application.



In case of non submission of the above information the application of APR will not be admitted.

In order to ensure that in future actuarial valuation of terminal benefit fund can be kept in control in a better way by avoiding carrying cost of such liability in future following directions are to be adhered.

- a) WBSETCL shall ensure that henceforth the amount that is statutorily required to be deposited in a month in different funds on account of terminal benefit, as a part of employee cost admitted in the tariff order, is to be deposited in different terminal benefit funds every month as a first charge item.
- b) On the head of terminal benefit fund, if there is shortage in the deposit amount in the terminal benefit fund admitted in employee cost through this order, the balance amount of contribution to terminal benefit fund is required to be deposited as first charge item over and above what had already been deposited for the year 2014-15 and subsequent years, from the effective date of recovery of the recoverable amount against this order from the very first day. So, it is directed that the balance amount of contribution as discussed above to terminal benefit fund for the year 2014-15 and subsequent years, i.e., the difference between the amount of contribution to terminal benefit funds as allowed in this order as a part of employee cost and that has already been deposited and that to be deposited in the fund for the year 2014-15 and subsequent years, is to be deposited in the respective different terminal benefit funds. Such balance amount is to be deposited in different terminal benefit funds in 2 (two) monthly equal installments from the date on which the recovery through tariff against this order will start.



- c) While submitting application for APR of 2014 – 2015, 2015-16 and 2016-17, WBSETCL shall show through audited accounts of different terminal benefit funds that the contribution to the different terminal benefit funds during the concerned year as a part of employee cost is deposited in the terminal benefit funds.

In case of non-deposition of amount admitted for terminal benefit fund as provided in (a) to (c) above in the respective fund as directed above, Commission may withhold or deduct same amount equivalent to that non-deposition amount.

7.7 Every day by 11.30 a.m. SLDC shall upload the following schedules in their website:

- i) Initial drawal schedule as per the format under Annexure – IV of the State Grid Code for all the distribution licensee of the State for next day.
- ii) Initial injection schedule (i.e., schedule of Actual Declared Capacity and Notional Declared Capacity) along with the drawal schedule by pumped storage project for next in accordance with the clause (i) and (iv) of the regulation 5.3 of the State Grid Code for all the distribution licensee of the State for the next day.
- iii) Final drawal schedule in pursuance to the clause (xv) of regulation 5.3 of the State Grid Code for all the distribution licensee of the State for the next day.
- iv) Final injection schedule (i.e., final schedule of Actual Declared Capacity and Notional Declared Capacity) along with the final drawal schedule of pumped storage project for next in accordance with the clause (xv) of the



regulation 5.3 of the State Grid Code for all the distribution licensee of the State for the next day.

- v) Finally implemented schedule of the preceding day in pursuance to clause (xxv) of the regulation 5.3 of the State Grid Code for all the distribution licensee of the State.

At the end of the month the day wise final implemented schedule of the month used for billing purpose along with state level energy accounting shall be published in the website within two days of issuing the state level energy accounting.

If necessary, for proper representation of the schedule in the website the format can be altered with approval of the Commission. This schedule shall be kept in the website till the next two months after the date of the order of the APR or FPPCA whichever is later in relation to the year concerned to the day under discussion. The website design shall be such so that the schedule of any date can be easily fetched. This facility is to be made operational from 1<sup>st</sup> of April, 2015. SLDC is also directed to upload such schedule of every day from 1<sup>st</sup> April, 2014 to 31<sup>st</sup> March, 2015 within 1<sup>st</sup> June 2015. This direction has been issued for sake of transparency and to protect the interest of all the stakeholders at large

- 7.8 Non-compliance of the above directions or any non-deposition of admitted amount for past period will be viewed seriously by the Commission and necessary deduction / withholding of amount as may be decided by the Commission will be made in the concerned APR order or any subsequent tariff orders or APR orders.



***Tariff Order of WBSETCL for the year 2014 – 2015***

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- 7.9 All the reports called for in this chapter are in addition to what are statutorily required to be submitted, either by the Act, or by any of the Regulations made thereunder, or by both, for the purpose of submission in the Annual Performance Review of 2014-15.
- 7.10 WBSETCL shall comply with all the provision of Electricity Act 2003 and rules and regulations made thereunder.

**Sd/-  
SUJIT DASGUPTA  
MEMBER**

**DATE: 04.03.2015**