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ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASES NO.:
FPPCA – 76/ 15 – 16 AND
APR – 60 / 16 – 17

IN REGARD TO THE APPLICATIONS OF

INDIA POWER CORPORATION LIMITED

FOR FUEL & POWER PURCHASE COST ADJUSTMENT (FPPCA)

AND ANNUAL PERFORMANCE REVIEW (APR)

FOR THE FINANCIAL YEAR 2014 – 2015

DATE: 28.07.2022

CHAPTER – 1
PREAMBLE

1.1 The regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended (hereinafter referred to as the 'Tariff Regulations'), mandates that licensees are required to go through an Annual Performance Review (in short 'APR'). Accordingly, India Power Corporation Limited (hereinafter referred to as 'IPCL') submitted their application for FPPCA application for 2014 - 2015 on 06.11.2015 followed with Annual Performance Review for 2014 - 2015 on 05.12.2016. The application was registered as FPPCA-76 /15-16 and APR-60/16-17 respectively. Subsequently the gist of APR and FPPCA was submitted on 12.09.2017.

1.2 IPCL has submitted their application of APR for first year of the fourth control period, i.e., for 2014 - 2015. The review of this instant application on the basis of the audited annual report and accounts of IPCL for 2014 - 2015 with reference to the Commission's tariff order dated 21.07.2016 in Case No. TP- 58/13-14 will result into adjustment in different heads. The net adjustment arising out of such adjustment in different heads will be considered for giving effect to while determining the amount of revenue recoverable through tariff order of further ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.

1.3 The APR covers the areas of permissible annual fixed charges determination to the applicant, permissible incentives and the effect of gain sharing as per Schedule-10 and Schedule 9B to the Tariff Regulations respectively. In the APR for the year 2014 - 2015, therefore, the review of different elements of fixed charges, categorized as controllable and uncontrollable have been **done to find out the amounts to be permitted to IPCL against each head of element vis-a-vis the amount allowed under tariff order for 2014 - 2015**.

1.4 As the application was incomplete significantly, thus for submission of different information, a series of communication took place between the Commission and IPCL as per following table:

Letter of WBERC	Letter of IPCL
WBERC /FPPCA-76/15-16/1419 dated 15.12.2015	RA/II/002/15-16/1365 dt 18.12.2015
	RA/II/002/16-17/1452 dt 11.08.2016
	RA/II/002/16-17/1462 dt 29.08.2016
WBERC /APR-60/16-17/0998 dated 16.10.2017	RA/II/002/17-18/1647 dt 25.10.2017

	RA/II/002/17-18/1655 dt 06.11.2017
	RA/II/002/17-18/1667 dt 27.11.2017
WBERC/APR/60/16-17/1245 dated 27.11.2017	
WBERC/APR/60/16-17/1956 dated 05.04.2018	
WBERC/APR/60/16-17/4730 dated 27.09.2019	RA/II/002/19-20/1954 dt 22.10.2019
WBERC/APR/60/16-17/5143 dated 13.12.2019	RA/II/002/19-20/1978 dated 20.12.2019
	RA/II/002/19-20/1989 dt 15.01.2020
WBERC/APR/60/16-17/5323 dated 20.01.2020	RA/II/002/19-20/1994 dt 28.01.2020
WBERC/APR/60/16-17/5360 dated 03.02.2020	
WBERC/APR/60/16-17/5650 dated 19.03.2020	RA/II/002/20-21/2029 dt 27.05.2020
	RA/II/002/20-21/2029(1) dt 11.06.2020

On admission of the APR application, IPCL was directed to publish the gist of the APR application 2014 – 2015 vide mail dated 12.07.2020. Accordingly, the gist was published simultaneously on 16.07.2020 in Ananda Bazaar Patrika, The Telegraph, Aajkaal and Sanmarg. The approved gist along with the APR petition for 2014 - 2015 was also published on the website of IPCL. Opportunities were given to all to inspect the application and take copies thereof. No Suggestions / objections has been received from any of the stakeholders within stipulated period of 21 days from the date of publication of the Gist on 16.07.2020.

1.5 The Commission also asked for certain additional information from IPCL through its letter vide no WBERC/APR-60/16-17/6189 dated 05.11.2020 and WBERC/APR-60/16-17/6324 dated 04.12.2020. In response IPCL has replied vide letter no RA/II/002/20-21/2101 dated 15.12.2020.

1.6 Subsequently IPCL has suo-moto submitted certain additional information vide letter no RA/II/002/21-22/2194 dated 22-11-2021. Against such additional information WBERC asked further additional information vide communication no. WBERC/APR-60/16-17/433 dated 06-12-2021 and WBERC/APR-60/16-17/1651 dated 28 January 2022. Against such queries IPCL submitted first set of reply vide letter no, RA/II/ 002/21-22/2198 dated 24-14-2021 along with an affidavit dated 23-12-2021. The second set of replies were submitted vide letter no. RA/II/002/21-22/2212 dated 15 February 2022. IPCL further on 28.06.2022 submitted breakup of the employee numbers in its generation and distribution business through sworn affidavit.

1.7 The Commission has taken careful note of the representations made by IPCL as well as the objections and suggestions received as above. The instant application of IPCL for the year 2014 – 2015 is being viewed in the subsequent parts of this order.

CHAPTER – 2

COMPUTATIONS OF THE ALLOWABLE FUEL AND POWER PURCHASE COST

2.1 In this part of the order, the Commission takes up the determination of fuel and power purchase cost allowable to IPCL on the quantum of power sold by it to the consumers and other licensees during the financial year 2014-15.

2.2 The Fuel and Power Purchase Cost (FPPC) during the referred adjustment period, i.e., financial year 2014-15, is to be admitted in terms of the following formula as specified by the Commission in schedule 7A to the Tariff Regulations.

2.3 The schedule – 9B to the Tariff Regulations, contains provisions for sharing the gains derived by the licensee, if any, on account of its better performances over the operating and fuel consumption norms set by the Commission for the concerned year. The operational parameters which are to be considered for such sharing the gains accrued to the licensees are:

(i) Oil consumption rate,

(ii) Rate of Auxiliary Consumption,

(iii) Gross Station Heat Rate.

2.4 The referred schedule 9B to the Tariff Regulations also stipulates that in case availability of a generating station of the licensee falls below the availability norm, the total gains meant to be passed on to the consumers under the items (i) to (iii) above, shall be used to compensate the deficit in the recovery of the fixed charges, if any, by the licensee.

2.5 Before ascertaining the amount of admissible fuel and power purchase cost as well as the amount of gains to be shared with the consumers and other licensees under the provisions of the Tariff Regulations explained in earlier paragraphs, it needs to view the actual performances of IPCL in comparison to the operational and fuel efficiency norms set by the Commission in the Tariff Order for the concerned year.

2.6 During 2014-15 IPCL has generated power only from the 12 MW Dishergarh power plants. Total Gross generation during the year is 39.02 MU and sent out energy is 34.42 MU. In their submission, IPCL reiterated that despite their sustained efforts to obtain Coal Linkage with CIL/ECL, they failed to get it. Thus, to run its plant, IPCL purchased coal from Swayambhu Natural Resources Private Ltd. (in short 'SNRPL'), through e-auction from ECL, West Bengal Mineral Department and Trading corporation (WBMTDC) & SECL; Tata Steel coal-rejects; Monnet washery rejects through SBC Minerals Pvt Ltd during the period.

2.7 Before going for procurement of coal from SNRPL and through e-auction, IPCL had sought prior in-principle clearance from the Commission. IPCL, along with their application for approval of investment proposal for 2nd stage of 1 x 12 MW Dishergarh plant, had also prayed for in-principle clearance for procurement of coal from SNRPL. IPCL stated that due to non-allotment of linkage by ECL for purchase of 'F' grade coal, to maintain generation, they have to make arrangement for procurement of coal from SNRPL. The boiler design of the 12MW plant suits lower grades of coal like 'F/G'. The Commission while giving clearance to purchase coal from the SNRPL through order dated 14th February, 2013 in case No. WBERC/OA-129/11-12 stipulated that the cost of fuel purchased from SNRPL will be allowed as per provision 5.8.2 of the Tariff Regulations. IPCL further through a separate petition prayed before the Commission for in-principal clearance to purchase coal through e-auction. The Commission vide order dated 11th September 2013 vide case no. WBERC/OA-163/12-13 accorded clearance to purchase coal through e-auction subject to compliance of the conditions as stipulated in regulations 5.8.1 to 5.8.7 of the Tariff Regulations.

2.8 IPCL in their submission of FPPCA application has stated that average 'energy charge' on the basis of actual fuel cost is 428 paise / kWh while average power purchase cost from WBSEDCL during 2014 - 2015 is 570 paise / kWh. It is further stated that cost of power from own generation is beneficial to the consumers of the licensee. Thus, the conditions contained in regulation 5.8.2 of the Tariff Regulations is fulfilled as own generation cost is cheaper from the purchase power. IPCL has reiterated their inability to obtain coal linkage with ECL and accordingly requested the Commission to allow the actual fuel cost incurred during 2014-2015.

2.9 It has been observed that cost of generation from its own plant has turned out to be beneficial to the consumers than purchasing power from outside as the cost of energy charge in former case is cheaper. From the submitted coal bills it is noted that SNRPL had procured coal from ECL through e-auction and subsequently sold it to IPCL. On query, IPCL through affidavit dated 15th December 2020 submitted Form D1 to D3 which had the basic prices details. As response to further query by the

Commission, IPCL submitted detailed price breakup of coal procured through SNRPL from ECL mines, WBMTDC and Dankuni Coal Complex-SECL stock through affidavit dated 24 December 2021 and communication dated 15 February 2022. It is evident from this submission, basic price of coal supplied from ECL mines is about Rs. 2381 / Tonne. In line with Office Memorandum dated 18.10.2007 issued by the Ministry of Coal, Government of India under New Coal Distribution Policy, margin money is to be allowed at 5% on basic coal price as per principle adopted by the Commission in FPPCA and APR Order for 2013-14. Thus, the allowable margin money works out to Rs. 119.05 / Tonne [5% of Rs. 2381 / Tonne = Rs. 119.05 / Tonne]. Cost of coal for SNRPL, after imposition of various taxes, duties, levies, cess etc., as per details provided by IPCL vide Affidavit dated 23 December 2021 is Rs. 3469.62 / Tonne. Therefore, allowable Rs. / Tonne including margin money of 5% works out to about Rs. 3588.67 / Tonne (Rs. 3469.62 / Tonne + Rs. 119.05 / Tonne = Rs. 3588.67 / Tonne). Billed amount to IPCL is about Rs. 3705 / Tonne. Hence, disallowed price is Rs. 116.33 / Tonne (Rs. 3705 / Tonne – Rs. 3588.67 / Tonne = Rs. 116.33 / Tonne) being the difference between the aforesaid prices. Quantum of coal obtained from ECL through SNRPL was 7439 Tonne as per Form D1, while total coal consumption was 43900.9 Tonne. Therefore, this disallowance on overall audited coal consumption of 43900.9 Tonne works out to Rs. 19.71 / Tonne (Rs. 116.33 / Tonne x 7439 Tonne ÷ 43900.9 Tonne = Rs. 19.71 / Tonne). Coal Fines was procured by SNRPL from Dankuni Coal Complex which did not belong to any notified grade of Coal India Limited. Moreover, from the price breakup furnished by IPCL it is evident that no margin money was charged by SNRPL for such procurement. Also, as evident from the submissions made vide communication dated 15 February 2022, no margin money was applicable for coal procured from WBMTDC through SNRPL. Hence, the Commission considers Rs. 3782.92 per tonne as coal price [Rs. 3802.63 per tonne as audited coal price – Rs. 19.71 per tonne = Rs 3782.92 per tonne]. See Annexure 2A for detail calculation.

2.10 IPCL in their submission stated that since coal linkage is not yet obtained in respect of new 1 X 12 MW plant, the actual fuel cost incurred may be allowed. The Commission decides to allow generating costs on the basis of norms specified in the WBERC Tariff Regulation with Station Heat Rate of 3300 Kcal / KWh, Auxiliary Consumption rate of 10% and Transit Loss of coal of 0.30%.

2.11 IPCL submitted month-wise consumption of coal quantity duly certified by the auditor and statement of coal received during the year indicating month, quantity and GCV grade. IPCL submitted vide additional submission under affidavit dated 15 December 2020 that, procurement of coal was made for a definite GCV range, and no instance of grade variation was observed (Page -11 of additional submission under affidavit dated 15 December 2020) after analysis. Based on the quantity and GCV grade of coal received during the whole year, weighted average GCV comes out 3132 kCal/kg. The Commission noted that, as per Appendix – 7 from D3 to the additional affidavit dated 15 December 2020, IPCL procured G-4, G-5 fine mix coal from Dankuni Coal Complex – SECL. The Commission considers GCV of 5950 kCal/kg as average of lowest GCV of G-4 and G-5 (6100 kCal/kg and 5800 kCal/kg). IPCL also submitted vide form D3 and D1 that from ECL, they have sourced 3400 ARB coal (G13) through SNRPL, while heat value received is 3596 kCal/kg. The Commission considers 3596 kCal/kg for this coal. The Commission determined the weighted average heat value of coal as per regulation 5.8.1 of the Tariff Regulations, considering the 'minimum GCV of the corresponding GCV band' or actual GCV' as submitted in the audited certified statement, whichever is higher. However, in absence of any declared grade for 'coal rejects' and 'coal-tailings' the actual GCV obtained against such coal purchased from M/s Tata Steel and Monnet has been considered. Average useful heat value (UHV)of coal received during the period is calculated as 3137.34 Kcal/Kg on application of regulation 5.8.15 of the tariff regulations. The computations in this regard are given in Annexure-2B.

2.12 Actual achievement of generation, auxiliary consumptions and station heat rate vis-a-vis the same allowed in tariff order are stated hereunder:

Sl. No.	Particulars	Unit	As per Tariff Order	As per Actuals
1	Gross Generation	MU	39.02	39.017
2	Auxiliary Consumption	MU	3.90	4.599
3	Rate of Auxiliary Consumption	%	10	11.79
4	Sent Out Energy	MU	35.12	34.417
5	Station Heat Rate	kCal/kWh	3300	3530

The actual station heat rate has been dderived on the basis of given quantity of coal consumption and actual weighted average Heat Value of Coal as per calculation below:

SHR (Dishergarh) = 43900.90 X 3137.34 / 39.017 = 3530 Kcal / kWh

2.13 As may be seen from the above statement, IPCL did not succeed in making improvements in the station heat rate and in auxiliary consumption with respect to the norms considered in the tariff order for the year 2014 - 2015 and therefore is not entitled to any gain sharing for improvement in Station Heat Rate and Auxiliary consumption rate.

2.14 The norm for distribution loss of IPCL for the year 2014-2015 was considered 2.46% in the tariff order based on actual value subject to condition that gain sharing issue will be dealt with in the APR order. Thus, 5.25% will be considered as normative distribution loss while gain sharing will be calculated. As it comes out from the data as provided by IPCL in the instant application, the actual quanta of distribution loss experienced by it works out as under:

Sl. No.	Particulars	Figures in MU
A. Inputs to System		
(a)	Net Sent Out Energy	34.417
(b)	Energy purchased during the year	866.980
(c)	Delivered to the system [c = a + b]	901.397
B. Utilization of Power		
(d)	Sales to consumers	878.060
(e)	Own consumption	2.480
(f)	Total utilization (f=d + e)	880.54
(g)	Distribution loss [g = c – f]	20.857
(h)	Percentage of distribution loss [h = g/c x 100]	2.31

2.15 The allowable quantum of distribution loss (5.25%) on actual quanta of sales to consumers as well as the actual own consumption comes to 48.790 MU [{880.54/ (1-0.0525)}- 880.54] as against actual distribution loss of 20.857 MU. The savings in this regard comes to 27.932 MU (48.790 MU – 20.857 MU). As provided in paragraph C of Schedule – 9B to the Tariff Regulations, 2011 IPCL is entitled to retain the gains accruing to it in this regard.

2.16 The values of different factors in the FPPCA formula referred to are worked out and admitted as under:

2.17 **FC (FUEL COST):**

2.17.1 Fuel cost of own generation is to be allowed as per normative parameters fixed by the Commission, or on actual basis in absence of any norms. The fuel costs to be allowed to IPCL for the year 2014 - 2015 for its new power station at Dishergarh are based on the following fuel consumption norms as decided in paragraph 2.10 above:

Particulars	Unit	Norms
Station Heat Rate	kCal/kWh	3300
Auxiliary Consumption	%	10
Transit Loss of Coal	%	0.30

2.17.2 The weighted average calorific value of coal is, however, variable on factors depending on the actual grade mix of their use in the power stations and as maybe allowed under regulation 5.8.1 of the Tariff Regulations commensurate with actual level of energy sale.

2.17.3 IPCL submitted month-wise quantity of coal consumed duly certified by the auditor and weighted average Heat Value of the consumed coal during the whole year 2014-15. The Commission, however, admits the useful heat value of 3137.34 Kcal/Kg as decided in paragraph 2.11 of this order. Computations in detail are given in Annexure – 2B.

2.17.4 IPCL through auditor's certificate submitted the actual consumption of coal of 43900.9 tonne at a total cost of Rs 166939010.75 showing weighted average price of coal as Rs. 3802.63 per tonne. As per Paragraph 2.9, admissible coal price considered by the Commission is Rs. 3782.92 per tonne. The price includes cost of transportation of coal.

2.17.5 Based on the above stated parameters the fuel cost of IPCL works out to Rs. 1526.22 lakh on the basis of the actual level of sent out generation. Detailed computations in this regard are shown at Annexure – 2C.

2.18 PPC (POWER PURCHASE COST):

2.18.1 The actual quanta of power purchased by IPCL during 2014 - 2015 from Damodar Valley Corporation (DVC), West Bengal State Electricity Distribution Company Limited (WBSEDCL) and West Bengal Green Energy Development Corporation Limited (WBGEDCL) and total cost incurred thereon came to 866.980 MU and Rs.39343.70 lakh respectively as per the details given below:

Sources	Quantum (MU)	Cost incurred (Rs. Lakhs)
WBSEDCL	137.447	7836.48
DVC	728.987	31479.89
WBGEDCL	0.546	27.33
Total	**866.980**	**39343.70**

2.19 ALLOWABLE FUEL AND POWER PURCHASE COST:

2.19.1 The allowable amount of fuel and power purchase cost (FC+PPC), computed in terms of the formula enunciated by the Commission as referred to in paragraph 2.2 above, works out to Rs. 40917.06 lakh. The detailed computations are shown in Annexure – 2D.

2.20 C_D: COST DISALLOWABLE:

2.20.1 Factor C_D, as referred to in the FPPCA formula mentioned in paragraph 2.2 above, stands for cost as to be found disallowable by the Commission. The referred formula also specified the method of ascertaining the amount of such cost disallowable. In case of IPCL, C_D comes to nil as the quantum of actual purchase remained less than the quantum of allowable purchase. The computations in this regard are shown hereunder:

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	T	Normative transmission and distribution loss considered for sale to licensee	%	5.25%
2	D	Normative distribution loss for sale to consumers	%	5.25%
3	E_g	Actual Sent Out from Own Generating Station for Consumers and licensees	MU	34.417
4	E	Excess/ (Savings) in the quanta of auxiliary energy consumption (vide note (1) below)	MU	0.775
5	E_P	Total energy purchased for distribution and supply to licensees (vide para 2.18.1)	MU	866.980
6	E_O	Energy for own consumption	MU	2.480
7	E_{SC}	Sold to consumers	MU	878.060
8	E_{SL}	Sold to licensee	MU	---
9	E_{Adm}	Admissible purchase of energy	MU	894.138

Note 1:

Sl. No.	Particulars	Unit	Dishergarh
1	Actual Generation	MU	39.017
2	Rate of Normative Auxiliary Consumption	%	10
3	Normative Auxiliary Consumption based on sent out energy	MU	3.824
4	Actual Auxiliary Consumption (Ref: -para 2.12)	MU	4.599
5	Excess Auxiliary Consumption	MU	0.775

Note 2:

Admissible quantum of purchase:

$$\frac{E_{SC} + E_O}{(1-d \times 0.01)} + \frac{E_{SL}}{(1-T \times 0.01)} - E - E_g$$

$$= \frac{878.060+2.480}{(1-5.25\%)} + 0 - 0.775 - 34.417$$

= 894.138 MU

2.21 A: PRIOR PERIOD'S ADJUSTMENTS:

2.21.1 Factor ± A in the referred FPPCA formula signifies the adjustment, if any, to be made in the current period to account for any excess / shortfall in the recovery of fuel and power purchase cost for the past period. IPCL did not ask for any such adjustment and no such adjustment is also found necessary. The value of this factor is, therefore, considered nil.

2.22 Computations of the aggregate allowable amount of fuel and power purchase cost:

2.22.1 The aggregate amount of fuel and power purchase cost, commensurate with the actual quantum of sale to the consumers and to the licensee (WBSEDCL), that can be allowed to IPCL works out to Rs. 40917.06 lakh with the break-up as given hereunder. The detailed computations in this regard are shown in Annexure – 2D.

Sl. No.	Particulars / Factors	Rs. Lakhs
1	FC: Fuel Cost	1573.36
2	PPC: Power Purchase Cost	39343.70
3	C_D: Cost disallowable	0.00
4	±A: Prior period adjustment	0.00
5	Allowable fuel and purchase cost = FC + (PPC - C_D) + (± A)	40917.06

2.23 Benefits for savings in Distribution Loss:

2.23.1 As referred in paragraph 2.15 above, IPCL is allowed to retain the gains accrued to it due to savings in the rate of distribution loss. Such savings in quantum came to 27.932 MU. The value of such savings at the average cost of power at the distribution bus works out as under:

Particulars	Quantum (MU)	Cost (Rs. Lakhs)
Sent out from Generation (Ref: para 2.12)	34.417	1526.22
Purchase (Ref: para 2.18.1)	866.980	39343.70
Total	901.397	40869.92
Average Rate per Unit (Paise per unit)		453.41
Savings in cost	27.932	1266.47
Savings shared with Consumers@ 25%		316.62
Savings for IPCL		949.85

2.23.2 Out of amount of Rs. 949.85 lakh, computed above, a total amount of Rs. 47.14 lakh (Rs. 1573.36 lakh - Rs. 1526.22 lakh) (Refer annexures 2C and 2D) has already been passed by way of adopting normative rate of distribution loss as denominator in computing admissible fuel cost for sale to Licensee and consumers. The balance amount of Rs. 902.72 lakh is now being allowed.

2.24 The analysis in the chapter shows that the amount of fuel cost computed on the basis of normative parameters and in terms of the specified FPPCA formula comes to Rs. 1573.36 lakh.

2.25 Actual amount of power purchase cost incurred by IPCL for purchasing 866.980MU from DVC, WBSEDCL and WBGEDCL, as enumerated in paragraph 2.18.1 is Rs. 39343.70 lakh.

2.26 An additional amount of Rs. 902.72 lakh is found admissible to IPCL on account of savings in the rate of distribution loss as shown in paragraph 2.23.2.

2.27 Summing up the findings as stated above, the net amount of fuel and power purchase cost allowed to IPCL for the year 2014- 2015 comes as under:

Particulars	Rs. Lakhs
Fuel Cost (As per table below paragraph 2.22.1)	1573.36
Power Purchase Cost	39343.70
Additional amount on account of savings in the rate of Distribution loss net off consumer share	902.72
Re-determined Fuel and Power Purchase Cost	**41819.78**

ANNEXURE – 2A
DISALLOWANCE OF MARGIN MONEY PAID TO SNRPL

Particulars	Derivation	Amount	Units
Basic Price of coal supplied	A	2381	Rs. / Tonne
Margin allowed at 5% on basic price	B=5% of A	119.05	Rs. / Tonne
Rs. / MT on coal quantity supplied	C	3470	Rs. / Tonne
Rs. / MT including margin of 5%	D=B+C	3588.67	Rs. / Tonne
Rs. / MT billed to Petitioner	E	3705.00	Rs. / Tonne
Disallowed price	F = E – D	116.33	Rs. / Tonne
Audited coal consumption	G	43900.90	Tonne
Coal consumption from SNRPL – ECL	H	7439.00	Tonne
Rs. / MT disallowed on overall audited price	I = F × H ÷ G	19.71	Rs. / Tonne

ANNEXURE – 2B
COMPUTATION OF UHV OF COAL BASED GENERATING STATION AS PER REGULATION 5.8.5 OF THE TARIFF REGULATION

Source	Quantity	Grade	Minimum GCV of coal received (x)	Minimum UHV of coal	Max GCV of band (X2)	Min GCV of band (X1)	Max UHV of band (Y2)	Min UHV of band (Y1)	Mean UHV Interpolation	Qty x Mean UHV	Wtd. Avg. UHV
Tata Steel	14664.60	Washery bi-product	2403						2403	35239034	
Monnet-washery reject	11651.25	Washery bi-product	2900						2900	33788625	
WBMTDC-Trans Damodar	5522.23	G-4, G-5	5950	4940	6049	5597	5600	4940	5455	30126194	
ECL	7439.03	3400 ARB	3596	1300	3865	3113	2400	1300	2007	14926562	
Dankuni Coal Complex (SECL)	3945.23	G-4, G-5	5950	4940	6049	5597	5600	4940	5455	21522966	
Total-Purchased	43222.34									135603381	3137.34

ANNEXURE – 2C
ALLOWABLE FUEL COST

Sl No	Particulars	Unit	12 MW
1	Ex-Bus Generation	MU	34.42
2	Rate of Auxiliary Consumption	%	10
3	Auxiliary consumption on ex-bus generation [(1)/(1-0.10)-(1)]	MU	3.82
4	Admissible Generation for sale [(1)+(3)]	MU	38.24
5	Station Heat Rate	Kcal/kWh	3300
6	Total Heat Required (4×5)	M.Kcal	126196.72
7	Heat value of Oil	Kcal/lit	_
8	Specific Oil consumption	ml/kWh	_
9	Oil consumption (4×7)	KL	_
10	Heat from oil (8×9)/1000	M.Kcal	_
11	Heat from coal (6-10)	M.Kcal	126196.72
12	Average UHV of coal	K.cal/Kg	3137.34
13	Coal consumption (11/12) ×1000	MT	40224.05
14	Coal requirement at 0.50% transit loss	MT	40345.09
15	Average price of oil	Rs/KL	_
16	Average price of coal	Rs/MT	3782.92
17	Cost of oil (8×15)/100000	Rs in lakh	_
18	Cost of coal (14×16)/100000	Rs in lakh	1526.22
19	Cost of Fuel (17+18)	Rs in lakh	1526.22
20	Cost of fuel per unit (19/1*10)	Paise/kWh	443.45

ANNEXURE – 2D
STATEMENT SHOWING ADMISSIBLE FUEL AND POWER PURCHASE COST

Sl No	Factor Notation	Nomenclature	Unit	Value
1	t	Norms of Transmission and Distribution loss considered for sale of power to licensee and for interplant transfer	%	5.25%
2	D	Norms of distribution loss for sale to consumers	%	5.25%
3	E_O	Energy for own consumption	MU	2.480
4	E_{SL}	Energy sale to licensee and interplant transfer [refer table in paragraph 2.3]	MU	-
5	E_{SC}	Energy sale to consumer	MU	878.060
6	Fuel Cost	Fuel cost for generation on normative parameters (Refer Annexure – 2C)	Rs. in Lakh	1526.22
7	FC_{IUC}	Per unit Fuel Cost at distribution input for sale to consumers (Refer Para A in Note below)	Paise/kWh	16.93
8	FC_{Adm_d}	Admissible Fuel Cost for sale to WBSEDCL and inter plant transfer (Refer B(ii) in Note below)	Rs. in Lakh	-
9	FC_{Adm_C}	Admissible Fuel Cost for sale to consumer and for own consumption [Refer B(i) in Note below]	Rs. in Lakh	1573.36
10	FC	Admissible fuel cost [(8) + (9)]	Rs. in Lakh	1573.36
11	PPC	Power Purchase Cost including net UI charges (vide para 2.10.2)	Rs. in Lakh	39343.70
12	FC + PPC	Admissible Fuel and Power Purchase Cost [(10) + (11)]	Rs. in Lakh	40917.06

Note:

A. Fuel Cost per Unit (kWh) at Distribution Input		Unit	Amount
(i)	Fuel Cost for sale to consumers	Rs. in Lakh	1526.22
(ii)	Energy sent out from own generation for the consumers and licensee	MU	34.42
(iii)	Power Purchase	MU	866.98
(iv)	Total energy available for sale [(ii)+(iii)]	MU	901.40
(v)	FC_{IUC} [(i)/(iv)]	Paise/kWh	16.93

B. Admissible Fuel Cost for sale to Consumers and Licensee		Unit	Amount
(i)	$\frac{E_{SC}+E_O}{(1-d \times 0.01)} \times FC_{IUC} = \frac{(878.06+2.48)}{(1-.0525)} \times 16.93$	Rs. In Lakh	1573.36
(ii)	$\frac{E_{SL}}{(1-t \times 0.01)} \times FC_{IUC} = 0 \times 16.93$	Rs. In Lakh	-

CHAPTER – 3
FIXED COST DETERMINATION UNDER APR

3.1 The Tariff Regulations specifies the classification of different fixed charge elements under controllable and uncontrollable head and also the treatment of variation between projected expenditure and actual expenditure of such fixed charge elements during redetermination of ARR during APR. In its order dated 21.07.2016 in the tariff application of IPCL for the years 2014-15 to 2016-17, the Commission followed some specific principles of calculation for determination of some elements of fixed charge during projection of ARR. The basic premises of such principles of calculation were

(i) Wholesale Price Index (WPI) and Consumer Price Index (CPI),

(ii) Business volume change namely Distribution line length and number of consumers, and

(iii) Sensitivity of expenditure elements to business volume change.

3.2 In Table 3.2-1 below the values considered during projection are now compared with actual inflation indices as available from websites of Economic Advisor Govt. of India and Labour Bureau and business volume data provided by IPCL in their APR application through their letter dated 28.01.2020 (For 2014-15) and 15.12.2020 – Appendix 2 (For 2013-14).

Table 3.2 -1

Particulars	Inflation %			Business volume	
	CPI	WPI	Combined (40:60)	Line length increase %	Consumer increase %
Considered for 2014-15 during MYT projection of 4th Control Period	6.81	4.78	5.59	2.26	18.41
Actual in 2014-15	6.30	2.00	3.72	4.95	41.4

3.3 Now the Commission proceeds to review each of such fixed charge elements claimed by IPCL in line with Tariff Regulations with specific reference to regulations 2.5.5, 2.5.5.1, 2.6.10 and 2.8.9.5 and principles, terms and conditions for determination of tariff for retail sale of electricity as per schedule-5 of the Tariff Regulations.

3.4 The old units of Dishergarh Power Station (12.2 MW) has been decommissioned in November 2012 and the Chinakuri Plant remained in-operative during the whole year. The new power plant (12 MW) at Dishergarh was commissioned on 25.09.2012 and is the only plant of IPCL generated power during

2014-15. The Commission, accordingly, considers expenses of the generating stations with reference to applicable provisions of tariff regulations. The review of each of the controllable and uncontrollable head of fixed charges with reference to the amount allowed through tariff and the actual based on the audited financial statement of IPCL related to DPSC Division for the year ended 31st March 2015 is being taken up hereunder.

3.5 **Employee Cost:**

3.5.1 In the Tariff order for 2014-15 IPCL was allowed a total amount of Rs 3849.04 lakh towards employee cost which included Employee cost for Generation business Rs 215.08 lakhs and Distribution business Rs 3633.96 lakhs.

3.5.2 As against the amount allowed in Tariff order, IPCL has claimed Rs 4112.63 lakh as the actual expenditure as per audited accounts. The amount corroborates with the claim provided in Volume I annexure 4 and Forms 1.12 vide IPCL letter dated 20.12.2019, Form 1.15 and Form 1.17 vide letter dated 25.10.2017, and Form 1.17(h) of the petition. Total of 'employee expenses' and 'Directors fees and commissions' as reflected from Note 27 and Note 29 of audited annual accounts of DPSC Division of IPCL also tallies with the amount. Subsequently, on 28.06.2022 IPCL, on sworn affidavit, submitted breakup of own employee and contractual manpower engaged in its regular establishment.

3.5.3 From the submissions in Form 1.17 (h) and additional information dated 28.06.2022, the main sub-heads of claim are shown below:

Table 3.5-1

Head of expense	Allowed in Tariff order			Claimed in APR		
	Generation	Distribution	Total	Generation	Distribution	Total
				Amount (Rs. in lakh)		
Employee Cost (Own)				218.54	3512.55	3731.09
Staff training expenses				0	5.26	5.26
Salary & Wages of contracted manpower	215.08	3633.96	3849.04	11.27	247.06	258.33
VRS Compensation					74.88	74.88
Directors fee & remuneration				0	43.07	43.07
Total	215.08	3633.96	3849.04	229.81	3882.82	4112.63
				Employee numbers		
Own employee				24	613	637
Contractual manpower				15	174	199

3.5.4 IPCL has claimed Rs. 258.33 lakhs towards expenses of contractual manpower engaged in various jobs under regular establishment. Out of total amount of Rs. 258.33 lakh, Rs. 11.27 lakhs is related to Dishergarh generating plant of IPCL and Rs. 247.06 lakh is related to distribution expenses (including centrally maintained expenses). IPCL has claimed the entire amount as employee expenses. The Commission observes that, in terms of regulation 5.9.1 of the Tariff Regulations, contracted manpower engaged in the regular establishment comes under the employee cost. However, for generating function, the overall manpower engaged is required to be limited within the man/MW norms specified in Schedule-9A of the Tariff Regulations. Accordingly, the admissible cost of contracted manpower engaged in regular establishment comes is computed as below:

Sl No	Particulars	Man/MW ratio	Maximum permissible manpower	Own employee engaged	Contracted manpower engaged	Total manpower engaged	Contracted manpower cost (RS. Lakh)	
							claimed	Admitted
A	Dishergarh 12 MW	3.50	42	24	15	39	11.27	11.27
B	Distribution business	-	-	-	-	-	247.06	247.06
	Total						258.33	258.33

3.5.5 , IPCL has claimed Rs. 5.26 lakh as expenditure on account of staff training expense which is not considered under employee expense but should be included under administrative and general expenses. This expenses of Rs 5.26 lakhs is to be considered under distribution head as the training is related to distribution function only.

3.5.6 As per supplementary information submitted earlier vide affidavit dt 01.08.2019 in continuation of APR petitions of 2012-13, IPCL proposed a total VRS payout for Rs 683.57 lakh for 140 employees covering three thermal power stations, Asansol Circle Office and Kolkata office of DPSCL (Reference – paragraph 3.3.4 of the APR order of 2013-14). The details of the VRS package specifying the number of employees concerned indicating location wise VRS pay-out involvement with location wise and year wise notional savings impact for the next three years up to 2014-15 was also furnished therein. Total amount as per affidavit has already been released by the Commission in APR of 2012-13 and 2013-14. Thus, no further amount is considered by the Commission under VRS compensation head.

3.5.7 Summarizing the above, the admitted expenditure under Generation and Distribution based on the Information submitted by IPCL is as under:

Table 3.5-2

	Claimed (in Rs. Lakh)			Admitted (Rs Lakh)		
Head of expense	**Generation**	**Distribution**	**Total**	**Generation**	**Distribution**	**Total**
Employee Cost (own)	218.54	3512.55	3731.09	218.54	3512.55	3731.09
Salaries & wages of contractual manpower	11.27	247.06	258.33	11.27	247.06	258.33
Staff training expenses	0	5.26	5.26			
VRS Compensation		74.88	74.88			
Directors fee & remuneration	0	43.07	43.07	0.00	43.07	43.07
Total	229.81	3882.82	4112.63	229.81	3802.68	4032.49

3.6 **Water Charge:**

3.6.1 In the MYT order of fourth control period, the Commission admitted Rs 10.93 lakhs for the year 2014-15. The Commission also observed in the MYT order of fourth control period that the expenditure on water charges being uncontrollable in nature, the actual expenditure vis-à-vis actual generation will be viewed separately by the Commission for admitting expenses under this head. However, for 2014-15 the amount considered by the Commission was based on actual generation and actual booking in accounts. Thus, in APR no further variation is allowable for Water charges.

3.6.2 In reply to a query of the Commission, IPCL vide letter of 15.12.2020 stated that the amount booked in annual accounts includes water charges for Plant consumption along with consumption for colony, Tribal Villages, CSR and guest house. The Commission is viewing that such portion of water charges are to be considered under administrative and general expenses for distribution, which have been taken separately. Thus, the proportionate amount as submitted by IPCL is considered under water charges and balance under O&M expenses as indicated below.

Table 3.6-1
Water charges for 2014-15

Water Charges admitted in Tariff Order 2014-15	Total Water Consumption	Plant consumption Water	Other consumption	Considered under Water Charges (Lakh Rs) 5=1 X 3 ÷ 2	Considered under O&M (Lakh Rs) 6=1 X 4 ÷ 2
1	2	3	4	5	6
Lakh Rs	KL	KL	KL	Lakh Rs	Lakh Rs

10.93	1788800	1558467	230333	9.52	1.41

3.6.3 Thus, amount of Rs 9.52 lakh as above is admitted under the head water charges for Generation function.

3.7 Coal and Ash Handling Expenses:

3.7.1 In the MYT order of fourth control period, the Commission admitted Rs 36.03 lakhs for the year 2014-15. The Commission also observed in the MYT order of fourth control period that the actual expenditure vis-à-vis actual generation will be viewed separately by the Commission for admitting expenses under this head. Since the actual generation and actual amount of expenses for coal and ash handling in this APR application are same with the values of MYT order of 2014-15 thus the claim of Rs 36.03 lakh in this APR application for coal and ash handling expenses is admitted by the Commission.

3.7.2 The Commission admits the claim of IPCL for Rs 36.03 lakh under this head under generation function.

3.8 O&M Expenses for Generation:

3.8.1 O&M expenses of generation for Rs. 76.68 lakh was allowed in the tariff in accordance with the norms specified in Schedule 9A of the Tariff Regulations. Only new power plant (12 MW) at Dishergarh was under commercial operation for the whole year. Thus, O&M Expenses for generation function is being admitted based on the normative parameter as follows.

Table: 3.8-1
O&M Expenses Computation for Generation Function

Unit No	Unit Size (MW)	O&M Expenses Rs Lakh Per MW	No of Days	Total Expenses
Dishergarh TPS (New)	1X 12	6.39	365	76.68

3.8.2 O&M expenses for Generation is a controllable expenditure using operating norms and the Commission admits Rs 76.68 lakh in the APR for 2014-15 under Generation function.

3.9 R&M Expenses for Distribution.

In the MYT order IPCL was allowed Rs 313.00 lakhs for 2014-15. As per note 29 of IPCL accounts as certified by auditor, the actual expenses under R&M heads are shown as Rs 403.02 lakhs which includes Rs 225.21 lakhs for repair and Rs 177.81 lakhs for consumption of stores. R&M expenses being a controllable item, the Commission decides to restricts the admitted amount to total amount allowed under the head of R&M expenses as Rs 313.00 lakh as given in the MYT order on normative basis.

3.10 **A&G Expenses for Distribution.**

3.10.1 Administrative & Legal (A&G) expenses comprise of audit expenses, legal expenses and other administrative and general expenses. A total amount of Rs. 298.00 lakh was allowed to IPCL in ARR in this regard for the year 2014-15 with following break up:

Table 3.10-1
A&G Expenses for Distribution

Expense Item	Admitted in ARR 2014-15 (Rs Lakh)
Audit expenses	9.00
Other A&G Distribution	223.00
Legal & Prof. charges	66.00
Total	298.00

3.10.2 In the annual DPSC Division account Note 29 of IPCL, certified by auditor, the following breakup of A&G expense is available which also includes expenses under generation function.

Table – 3.10-2

Expense Head	Amount in Lakh Rs
Audit expense	19.70
Misc Expense	1032.03
Loss on Foreign exchange fluctuation	8.90
Loss of sale of fixed asset	12.71
Total	1073.34

3.10.3 From the breakup of Miscellaneous expenses provided in Annexure 3 volume 1 it is seen that among the subheads there is Legal expense of Rs 157.04 lakhs which is to be considered as a separate sub head under A&G expenses. Similarly, the expense of WBERC license/ filing fees of Rs 5.39 lakhs will be considered separately. Further, from the consolidated amount of Rs 73.09 lakh claimed under the head "Rent, Rate and Taxes", the "Rent" head has to be segregated and has to be considered under A&G expense. "Rates and taxes" without the head of "Rent" is to be considered as a separate expense head in ARR. Thus, the Rent of Rs 3.68 lakh, as discernible from Note 29 of DPSC Division accounts is to be included in claim under A&G. Balance amount of Rs 69.42 lakh booked under "Rates and Taxes" head in note 29 of the DPSC Division accounts will be considered as claim under rates and taxes head.

3.10.4 In the statements showing breakup of O&M expenses in Volume I Annexure 3 of the APR application IPCL mentioned the auditors' remuneration and legal expenses as Rs 19.70 lakhs and Rs 157.04 lakhs respectively and declared it as centrally maintained expenses. IPCL have apportioned the centrally maintained expenses in the form between generation and distribution function in the ratio of energy handled. Accordingly, the expenses for audit and legal as apportioned to distribution function stands to Rs 18.95 lakhs and Rs 151.04 lakhs respectively. The apportioned amount for generation function is already included within the O&M expenses as already admitted under paragraph 3.8 on normative basis. However, IPCL has not submitted segregation of generation and distribution expenses certified by auditor. From Annexure 3 in Volume -1 the claimed amount on other administrative and general expenses is found to be Rs 862.65 lakhs after taking away of legal expenses of Rs 151.04 lakhs related to distribution function. Such value of Rs 862.65 lakhs is also inclusive of Rs 12.36 lakhs on the head of obsolete asset written off and Rs 8.56 lakhs loss on foreign exchange fluctuation respectively which are the apportioned value of distribution function out of the total value of Rs 12.72 lakhs and Rs 8.90 lakhs respectively. The apportioned value of obsolete asset written off and loss on foreign exchange fluctuation on generation function is already included within the O&M expenses as already admitted under paragraph 3.8 on normative basis. Since the water charges of Rs 1.41 lakhs (para 3.6.2), staff training expenses of Rs 5.26 lakhs (para 3.5.4) and Rent of Rs 3.68 lakhs (para 3.13.1) have been decided to be part of other A&G expenses for distribution thus those values are added with Rs 862.65 lakhs. But at the same time the bank charges of Rs 129.24 lakhs has to be excluded for consideration under other finance charges as well as Rs 5.39 lakhs of filling charges are also to be excluded from A&G expenses and be considered under Rates & Taxes respectively. Accordingly, the revised claim under other A&G expenses under distribution function stands to Rs 738.37 lakhs.

3.10.5 It is already discussed above that the expenses booked as bank charges of Rs 129.24 lakhs in Annexure 3 Volume 1 of application cannot be considered as an A&G expense. In the MYT Application

2014-15 to 2016-17, IPCL proposed bank charges of Rs 86.22 lakh under other finance charge which was admitted. However, in APR application, no such expense is claimed by IPCL under other finance charges. No other detail regarding nature of such bank charge is available in the application or in the accounts. The Commission decides to consider such bank charge under other finance charges head.

3.10.6 The Distribution expenses are considered as the amount as proposed under the respective business function head in Annexure 3 Volume I of the petition with proportionate allocation of central expenses at the ratio of 34.42: 866.98 as done in the same form. On the basis of above discussions, the revised claim on A&G expenses is computed as follows.

Table 3.10- 3

Expense head	Claim As per Annexure 3 Volume 1 of APR application	Revised claim computed	Derivation
Other A&G Distribution	862.65	738.37	862.65-5.39-129.24+5.26 +1.41+3.68
Legal expense	151.04	151.04	
Audit	18.95	18.95	
	1032.64	908.06	

3.10.7 Distribution A&G expenses is controllable item which is to be considered with respect to the actual business volume parameter and actual inflation in line with the projection logic of the MYT order for 2014-15. Also, the base years, i.e. FY 2013-14 expenses has to be considered at actual for projection. Based on the actual parameters the comparison of the earlier projected amount and present estimation is worked out in detail in the table in Annexure-3A.

3.10.8 A&G expenses are controllable in nature and the actual business volume growth and inflation also does not justify any increase in such expenses. Thus, the total admittance under these heads are restricted to the amount admitted in MYT.

3.10.9 Now the claimed and admitted value for O&M Expenses of Distribution are as per Table 3.10-4 below:

Table 3.10- 4
Admitted Amount for A&G Expenses in Distribution

Expense Item	Amount Admitted in MYT Order	Amount Claimed in APR Rs Lakhs (see 3.10.6 above)	Admitted amount in APR Rs Lakhs
Auditor	9.00	18.95	298.00
Legal	66.00	151.04	

Other A&G Dist	223.00	738.37	
Total A&G	298.00	908.36	298.00

3.11 **Insurance:**

As per MYT order for 2014-15 insurance premium approved was Rs 0.09 Lakhs on the head of generation function and Rs 25.91 lakhs for Distribution. In APR petition for 2014-15 IPCL has on this head an amount of Rs 0.09 Lakhs for generation function and Rs 31.08 lakhs for Distribution. In their submission on 15.12.2020 in appendix 1 they have submitted policy documents and payments made with the items covered. Considering the admitted amount in APR order of the base year 2013-14 and compounded growth rate of inflation (3.72%) and distribution line length (4.95%) the expenses claimed by IPCL has found to be reasonable. Thus, the Commission admits such expenses of Rs 31.17 lakhs with breakup of Rs 0.09 Lakhs for generation function and Rs 31.08 lakhs for Distribution in APR of 2014-15 as proposed by IPCL in Form 1.17(f) Vol 1 Annex 4 statement of "Details of Insurance paid".

3.12 **Rates & Taxes and License/ Filing Fees:**

3.12.1 As per MYT order for 2014-15 rates and taxes approved was Rs 17 Lakhs on the head of distribution function. In APR petition for 2014-15 IPCL has claimed an amount of Rs 73.09 Lakhs with breakup of Rs 2.14 lakh for generation function and Rs 70.95 lakh for Distribution. Claim of IPCL includes expenses towards rent amounting to Rs 3.68 lakhs as noted from Annex 4 Volume 1 under the heading "Details of Rent Rates and Taxes". Rent has been considered under A&G expenses as discussed in foregoing para 3.10.4 of this order. Excluding rent the amount of rates and taxes comes to Rs 69.41 lakhs (73.09 – 3.68). The rates and taxes as per note 29 of DPSC Division Accounts is Rs 69.42 lakhs and the same will be considered as claim under this head. Further, the Filing fees / License fee amount of Rs 5.39 lakhs as discussed in foregoing para 3.10.4 of this order is admitted separately.

3.12.2 Since this head is an uncontrollable item in ARR and statutory in nature thus the enhanced amount over and above the amount admitted in MYT is required to be considered at the same time admitting the service taxes paid on the expenses that have been disallowed in the ARR may not be prudent. In the statement in Annex 4 Volume 1 'Details of Rent Rates and Taxes' IPCL has shown an amount of Rs 3.01 as wealth tax and Rs 66.41 as rates and taxes. However, neither the submission of IPCL nor the annual accounts indicate the impact of service tax in the total rates and taxes head. Thus, under such situation a proportionate deduction is considered in this regard.

3.12.3 Since the incidence of Service Tax is mostly on the O&M expenses the disallowance on the same head may be considered for pro-rata deduction. IPCL's overall claim against O&M expenses for both generation and distribution function is Rs 1610.44 lakhs (Rs 166.77 lakhs + Rs 535.31 Lakhs + Rs 908.36 lakhs). Against this, the Commission has admitted an amount of Rs 687.68 lakhs as discussed in para 3.8, 3.9 and 3.10 above. Total amount under the head rates and taxes as shown in the statement in Annex 4 Volume 1 'Details of Rent Rates and taxes' is Rs 66.41 lakhs, when reduced in the same proportion as that of claimed Vs admitted amount the admissible tax amount comes to Rs 28.35 lakhs. Along with the wealth tax of Rs 3.01 lakh, the admitted amount under this head comes to Rs 31.36 lakhs. In Annex 4 Volume 1 'Details of Rent Rates and Taxes', IPCL allocated the claim amount of Rs 69.42 lakh in the ratio of 2.14:67.27 with the same principle of allocation, Rs 0.97 Lakhs is admitted for generation function and Rs 30.39 lakhs for Distribution in APR of 2014-15. License / Filing fees of Rs 5.39 lakh is allowed under distribution function.

3.13 **Depreciation.**

3.13.1 Total depreciation admitted in the MYT order of the Commission for the year 2014-15 considering a 5% reduction of provisional project cost of DPS 12 MW unit (New) on the ground as explained in paragraph 4.3 of MYT order for 2014-15 to 2016-17 is Rs 1098.98 lakhs (paragraph 4.15 of MYT order). Against such amount IPCL has claimed Rs 1352.54 lakhs towards depreciation in their application and provided a breakup of the depreciation in Application and Form B submitted on 25.10.2017.

3.13.2 It is seen from the DPS Division account of IPCL for the year 2014-15, the depreciation amount shown in note 14 of accounts is Rs 1392.26 lakh. IPCL has provided a reconciliation of depreciation claimed in APR and amount booked in accounts in their form B reducing the amount booked in accounts by and amount of Rs 41.01 lakh which is depreciation on cost of additional three floors of its building at salt lake in Kolkata including the cost of air conditioning plant and elevator thus arriving at an amount of Rs 1351.25 lakh in Form B against the claimed amount of Rs 1352.53 in Form E (B).

3.13.3 In the MYT order for 2014-15 to 2016-17 para 4.15.1 (b) and (e), the Commission decided that depreciation of Chinakuri power plant will not be allowed in FY 2014-15. The Commission also decided that the project cost of DPS 12 MW power station will be restricted to the approved amount of Rs 6654 lakhs. Thus, in effect, for 2014-15, depreciation for generation will be only allowable on Rs 6654 lakhs as noted in table under para 4.15.2 of the MYT order. However, the form B details show a much higher generation asset value under depreciation. Commission considered a depreciation of Rs 252.60 lakh for Dishergarh 12 MW plant in APR 2013-14 on acknowledged Asset of Rs 6654 lakh for the plant. There has been no addition of admissible asset value for Dishergarh 12 MW plant. Commission accordingly admits the value of Rs 252.60 lakh as depreciation for the Dishergarh 12 MW plant prior to withholding at para 3.13.6 below. In the MYT order for 2014-15 to 2016-17 dt 21.7.2016 para 4.15.1 (a), the Commission decided not to allow depreciation on the asset of Chinakuri Power Station in the ARR for the years 2014-15, 2015-16 and 2016-17 since the matter was sub judice following non-extension of lease agreement by ECL beyond 31.3.2012. IPCL at para 25 of their submission text at APR petition has confirmed that the matter was still under arbitration. No depreciation is accordingly considered for Chinakuri Power Station in APR 2014-15. Admissible depreciation for generation function accordingly comes to Rs 252.60 lakh against claim for generation function at Rs 421.85 lakh as furnished at Form B of the APR 2014-15 petition.

3.13.4 In the MYT order for 2014-15 to 2016-17 para 4.15.1 (a), the Commission decided that depreciation of JK Nagar Sub-station will not be allowed from 11.12.2015 thus no depreciation is allowed in FY 2014-15. However, IPCL has not shown any adjustment on this account and in the project wise asset addition statement they have shown a further capitalization of Rs 6740.19 lakhs over and above the disallowed amount in the APR order 2013-14 para 3.6.2. Total capitalization of JK Nagar substation as noted from form 1.19 (c) submitted on 25.10.2017, is Rs 13690.99 lakhs included in Distribution assets. In absence of details of distribution assets vis a vis depreciation. In APR 2013-14 Commission disallowed the total depreciation of Rs 233.01 lakh @ 3.44% on a cost of Rs 6768.99 lakh attributable to J.K.Nagar project vide order dt 27.11.2020. IPCL has not mentioned the date of capitalization of further Rs 6740.19 lakh as capitalized during 2014-15. Additional depreciation @3.44% considered on such addition on average basis comes to Rs 116.01 lakh The total depreciation amount attributable to J.K.Nagar Project thus comes to Rs 349.02 lakh (233.01+116.01).

3.13.5 In para 3.6.1 of the APR order 2013-14, the Commission disallowed some addition to fixed assets for which adjustment / deduction has not been made in present APR also. Of these disallowed assets, the depreciation of leasehold land is indicated in audited accounts of DPS Division note 14 as Rs 6.05 lakhs. However, no amount is available for the depreciation of flats at Haldia. The Commission decides to continue with deduction of same amount as considered in APR 2013-14 i.e., Rs 4.76 lakhs for disallowance of depreciation of Haldia flat.

3.13.6 Depreciation adjustment of withheld project cost of DPS 12 MW unit to the extent of 5% i.e., Rs 332.70 lakhs as admitted in MYT order is considered proportionately on such asset value based on admitted depreciation of Rs 252.60 lakh considered on acknowledged asset value of Rs 6654 lakh. Adjustment amount on this account comes to Rs 12.63 lakhs.

3.13.7 Summarising above, the allowable depreciation for 2014-15 is as follows.

Table 3.13-1

in lakh Rs

Sl	Particulars	Amount	Amount
1	Depreciation and amortisation expense as per audited DPS Division Account		1392.25
2	Less: Depreciation on		
A	Additional 3 floors of Kolkata Office (Form B)	41.01	
B	Leasehold land at corp (Note 14 of Accounts)	6.05	
C	Generation Asset Disallowed including Chinakuri & DPS 12 MW (para 3.13.3 above)	169.25	
D	JK Nagar S/Stn. (para 3.13.4 above)	349.02	
E	Flat at Haldia (Para 3.13.2 of APR order 2013-14)	4.76	
3	Subtotal (A to E)		570.09
4	Depreciation allowable (Sl 1 – Sl 3)		822.16
5	Depreciation on Withheld project cost of 12 MW		12.63
6	Depreciation admitted in 2014-15 (Sl 4 – Sl 6)		809.53

3.13.8 Thus Rs 809.53 lakh admitted towards depreciation for 2014-15 with function wise allocation in the same ratio as claimed by IPCL in their application Function wise admitted depreciation is as under:

Table 3.13-2

	Generation	Distribution	Total
Depreciation as per APR application (Form B)	435.99	916.55	1352.54
Depreciation admitted	239.97	569.56	809.53

3.14 Interest on Borrowed Capital

3.14.1 In the MYT order of fourth control period, the Commission allowed Rs 1219.14 in the ARR of IPCL for 2014-15 towards Interest on borrowed capital, of which Rs 510 lakh was allocated for Generation function and Rs 709.14 lakh was for distribution function. IPCL in their APR application in form E(B) claimed Rs 2220.72 as interest on borrowed capital but in form C submitted with the petition has stated that the total interest charged in annual accounts for power business is Rs 4457.65 lakh with following breakup.

Table: 3.14-1

Purpose of loan	
Capital	Interest
DPS Plant 12 MW	474.64
J K Nagar S/ Stn	819.04
Bulldozer	3.23
Misc Capex & General Corporate purpose	548.66
Raghunathpur Plant	1252.39
Non-Convertible debenture (NCD)	1315.00
Sub Total	**4412.96**
Working Capital	1033.94
Interest for Consumer SD	118.29
NCD issue expense	52.01
Interest Others	72.56
Less: Capitalisation	1232.11
Total	4457.65

3.14.2 Out of the loans stated above, the JK Nagar substation has not been put to use and respective expenses can only be claimed after Dec 2015 as stated in the MYT order for 2014-15 to 2016-17 para 4.15.1 (a). The loan for bulldozer is not a part of admitted project cost of DPS plant as stated in para 3.6.4 of the APR order of IPCL for 2013-14. The loan on account of Misc Capex & General Corporate purpose has been drawn for both fixed asset/capital asset and working capital purpose without any segregation and capitalization details. Raghunathpur plant is not an approved project of WBERC. As per statement of IPCL in Table 20 of their submission text, interest on NCD has been claimed towards interest on working capital. IPCL has Accordingly, such NCD is not considered under capital borrowing accordingly. Working capital and interest on consumer security deposit are dealt with separately in this APR order in accordance with Regulatory provisions. Thus, only the loan for DPS 12 MW plant is considered for admittance.

3.14.3 In light of the deliberations in 3.14.2 above, the actual repayment of loan for 2014-15 as per Form C is zero. Actual asset addition taking into consideration the asset addition shown by IPCL in Form B and statement on project wise asset addition in Volume 1 and adjusting the addition on account of JK Nagar Sub Station and excess capital investment of DPS 12 MW plant is calculated as under.

Table 3.14-2

Particulars	2013-14	2014-15	Data Source
Gross Block of Fixed asset as per annual accounts	36513.31	45698.78	
Less: Assets disallowed			
Additional 3 floors at Salt Lake building	1663.36	1663.36	Form 1.18 Vol 1
Leasehold land at Salt lake	308.91	1324.55	Form 1.18 Vol 1
Flats at Haldia	132.29	132.29	APR 2013-14
Leasehold land at Raghunathpur	1321.75	1321.75	Form 1.18 Vol 1
Capitalisation in excess of approval at DPS	1785.18	2127.27	1.19 (b) 25.10.2017
JK Nagar Sub Stn not put to use	6768.99	13690.99	1.19 (c) 25.10.2017
Admissible gross block of fixed assets	24532.83	25438.57	
Less: Consumers contributions & Adv.	2119.68	2518.99	Form 1.18 Vol 1
Net Cost of fixed assets	22413.15	22919.58	
Admissible net Addition to fixed asset		506.43	

3.14.4 The amount allowable towards interest on normative loan is computed in terms of Form 1.20 (b) of WBERC Tariff Regulations, 2011 as under

Table 3.14-3

Sl	Normative debt	Derivation	Amount
1	Opening Gross Normative Debt	CB 2013-14	6309.62
2	Less: Cum Repayment upto the previous year	CB 2013-14	1413.02
3	Opening Net Normative Debt	3 = 1 - 2	4896.60
4	Actual addition to debt during the year	Form C	0.00
5	Addition to Fixed asset during the year	Form B	506.43
6	Normative addition to debt @ 70% of fixed asset addition	6 = 5 X 70%	354.50
7	Addition to debt to be considered for APR	Higher of 5 & 6	354.50
8	Additional Gross Normative debt for the year	8 = 7 - 4	354.50
9	Repayment of normative debt during the year [Note 1]	10% of 3	489.66
10	Net additional gross normative debt during the year	10 = 8 - 9	-135.16
11	Closing balance of net normative debt	11 = 3 + 10	4761.44
12	Average balance of net normative debt	12 = (3+11) / 2	4829.02
13	Weighted average rate of interest	Form B	11.95%
14	**Allowable interest on normative debt**	**14 = 12 X 13**	577.18
15	Closing balance of gross normative debt	15 = 1 + 8	6664.12

16	Cumulative repayment of normative debt upto the year	16 = 2 + 9	1902.68

3.14.5 As shown in Form C, the purpose of loan for allowable borrowed capital is DPS 12 MW unit, thus the interest cost is allocated to generation function. For allocation of normative debt the ratio of admissible GFA is considered. Admissible closing GFA as worked out in para 3.14.3 above is Rs 22919.58 lakhs. Admissible generation GFA as worked out in para 3.13.3 above is Rs 6654 lakhs. In the same ratio function wise admitted amount towards interest on borrowed capital and normative debt of IPCL for 2014-15 is as follows in the Table 3.14-4.

Table 3.14-4
Interest Payable for IPCL in 2014-15

	Gen	Dist	Total
Admissible Asset	6654.00	16266.00	22920.00
Normative debt	167.53	409.53	577.06
Borrowed capital interest	474.64	0.00	474.64
Total	642.17	409.53	1051.70

3.15 Other Finance Charges

3.15.1 IPCL has claimed an amount of Rs. 52.01 lakh towards finance charges being Non-Convertible Debenture (NCD) issue expenses in Form 1.17(c) of the APR petition for 2014-15 submitted on 25.10.2017. Such expense is incidental to the issuance of NCD interest on which has been disallowed in MYT order para 4.13.2. Accordingly, NCD issue expense for Rs. 52.01 lakh is not considered by the Commission.

3.15.2 In the foregoing para 3.10.4, the Commission decided on regrouping bank charges claimed by IPCL from A&G expenses to Other finance charge. Such amount is, thus, being considered under 'Other Finance Charges' in the APR order for 2014-15 and admitted. Expense is allocated in the ratio as proposed by IPCL in Annexure 3 Volume 1 i.e. energy handled under different function. Thus, the admitted amount with function wise allocation is as under

Table 3.15-1

Other finance charge	Generation	Distribution	Total

	4.93	124.31	129.24

3.16 Advance against Depreciation.

3.16.1 IPCL in their APR application has not claimed any amount under this head as shown in form 1.17 (e). Considering the admitted amounts under depreciation as per para 3.13 above and the loan repayment made by IPCL on the admissible loans as per form C, advance against depreciation is calculated as under as per principles followed in the Tariff Order for 2014-15.

Table 3.16-1

	Advance against depreciation	Amount (Rs)
1	Allowable repayment of Loan	444.44
2	1/10th of original loan amount of allowable loans	400.00
3	Maximum permissible amount of loan restricted to 1/10th of original loan amount of allowable loans	400.00
4	Depreciation	809.53
5	Allowable AAD (3-4)	Nil

3.16.2 Thus, no Advance against depreciation is admissible in 2014-15.

3.17 Reserve for unforeseen exigencies

3.17.1 In the MYT order of 2014-15 to 2016-17, the Commission has not allowed any amount towards Reserve for unforeseen exigencies. In para 3.17.4 of the MYT order, the Commission directed that the amount allowed so far with interest has to be invested in accordance with the Tariff Regulations.

3.17.2 In the audited annual accounts of IPCL, Note 4, Reserves and surplus indicates that the amount booked under unforeseen exigency reserve and unforeseen exigencies interest reserve is Rs 454.25 (323.37 + 130.88) lakhs at the end of 2014-15. Total amount under different investments under unforeseen exigency reserve and unforeseen exigencies interest reserve as shown in Note 14.1 and 14.2 of the audited annual accounts of IPCL is Rs 493.61 Lakhs. IPCL has also furnished a statement certified by auditor in Volume 1 Annexure 4. Thus, the provisions of the tariff regulations are complied with. However, in line with the MYT order, the Commission does not admit any amount under this head for the current year 2014-15.

3.18 Interest on Consumers' Security Deposit:

3.18.1 In Form E(B), IPCL has claimed Rs 118.29 lakh under the head Interest on Consumers' Security Deposit for the year 2014-15 under distribution function against the admitted expenditure of Rs 118.29 lakhs in MYT. The Total interest claimed as per Form C in APR application is Rs 118.29 lakh. IPCL has submitted a statement of finance cost certified by auditor in annexure 4 volume 1 of the petition wherein the interest of security deposit is shown as Rs 118.29 lakh.

3.18.2 In the MYT order for the year 2014-15-to 2016-17 (Para 3.12.2), IPCL was directed to furnish audited data for interest on consumers' security deposit. In compliance to the directive IPCL has submitted audit certificate on Annexure 4 Volume 1 of their APR application of 2014-15 wherein they have stated that payment / adjustment for interest on consumers' security deposit have been carried out for the year.

3.18.3 The Commission thus admits Rs 118.29 lakh towards interest on consumer security deposit for the year 2014-15 and allocates the whole amount to distribution function.

3.19 Income Tax

3.19.1 IPCL has claimed an amount of Rs. 690.30 lakh in their application under Form E (B) towards income tax. Breakup of Current Tax in profit and loss account of DPSC as per audited annual accounts of DPSC Division is 690.31 lakh.

3.19.2 IPCL has submitted an auditor certificate in Volume 1 Annexure 4 for status of corporate tax of DPSC Division as on 30.11.2015. It is seen that assessment orders of IPCL is pending since 2012-13. In the said statement, the assessed tax including surcharge and cess is shown as Rs 776.89 lakhs and payment and tax credit is shown as Rs 841.28 lakhs including delay interest charges. Thus, in terms of regulation 5.13.1, the tax assessed in profit and loss account and deposited as claimed by IPCL- i.e., Rs 690.30 lakh is admitted towards tax on income for the year 2014-15 with function wise allocation as proposed by IPCL in their Form E(B) of their i.e. Rs 26.36 lakhs for Generation and Rs 663.94 lakhs for Distribution.

3.19.3 The Commission directs IPCL to furnish following documents in terms of regulation 5.13 of the Tariff Regulations while submitting APR petition for subsequent years: i) Assessment Orders of Income Tax

Authority for the years pending before the income tax authority. ii) Audited certificate in regard to income tax assessed and income tax paid with corresponding credit of income tax received from the assessment year up to the assessment year relevant to the year of APR.

3.20 **Return on equity (ROE)**:

3.20.1 In terms of regulations 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, IPCL is entitled to have return on equity base deployed in its generation and distribution functions @ 15.5% and 16.5% respectively. IPCL has claimed Rs. 2291.17 lakh towards return on equity in APR for 2014-15 against an admitted amount of Rs 1514.27 lakh in MYT order for 2014-15 to 2016-17. In para 4.18.2 of the MYT order, the Commission directed IPCL to allocate the equity base of IPCL and submit the same with application. IPCL has submitted a compliance report with their letter dated 20.12.2019 without providing any allocation.

3.20.2 In the APR orders 2012-12 and 2013-14, the Commission has worked out the admissible equity for the Generation and Distribution function of IPCL and accordingly proceeded to admit the ROE for the respective years. In absence of any allocation statement from IPCL, the consolidated actual equity of power business is worked out from the financial statements of IPCL and thereafter the ROE is admitted on the basis of admissible equity based on the historical equity balance and addition to admissible asset. Such calculation methodology is continued for the present year also.

3.20.3 The opening and closing balances of actual equity as per audited annual accounts of DPC Division is as follows.

Table 3.20-1

Particulars	31.03.2014	31.03.2015	Refence Note
Share Capital	9737.90	9737.90	Note 4
Surplus	4736.63	6271.55	Note 5
Gen reserve	170.04	436.68	Note 5
	14644.57	16446.13	
Addition	1801.56		

3.20.4 Admissible addition to fixed assets during the year has been worked out as Rs 506.43 lakhs at para 3.11.3 of this order.

3.20.5 As the tariff determination of IPCL generating plant is not done under availability based tariff mechanism and as Chinakuri plant is under shut down throughout the year 2014-15 thus as per regulation 5.6.1.6 the return on equity will be nil.

3.20.6 In the MYT order of 2014-15 to 2016-17, in para 3.3.1 it was directed that 5% of project cost of DPS 12 MW will be withheld till submission of documents specified in the order. Considering the fact that IPCL has still not furnished the requisite documents, effect of such withheld project cost is being considered in admitting ROE for the year 2014-15.

3.20.7 Based on the above discussions the ROE for the year 2014-15 is calculated as follows.

Table 3.20-2

Sl No	Particulars	Generation Unit		Total Generation	Distribution	Total
		DPS	Chinakuri			
1	Actual equity base at the beginning of the year			0.00		14644.57
3	Admissible Opening Balance of the year	1996.20	1319.92	3316.12	6161.44	9477.56
4	Actual addition/withdrawal/deleted to Equity Base for the year			0.00		1801.56
5	Actual Equity Base at the end of the year (1+4)			0.00		16446.13
6	Amount transferred to Fixed Assets	0.00	0.00	0.00	506.43	506.43
7	Normative Equity % on (6)	0.00	0.00	0.00	151.93	151.93
8	Addition to Equity base considered for the year in ARR (Minimum of 4 &7)	0.00	0.00	0.00	151.93	151.93
10	Admissible Equity Base at the year end	1996.20	1319.92	3316.12	6313.37	9629.49
11	Average Equity Base for the year (3+10) ÷ 2	1996.20	1319.92	3316.12	6237.41	9553.53
12	Rate of Return in %	15.5%	15.5%		16.5%	
13	Allowable return	309.41	0.00	309.41	1029.17	1338.58
14	Withheld for non-submission of project cost detail	51.57		51.57		51.57
15	Return allowed in ARR (13-14)	257.84	0.00	257.84	1029.17	1287.01

3.20.8 On account of ROE for 2014-15 Rs 1287.01 lakh is admitted with following functional allocation.

Table 3.20-3

ROE	Generation	Distribution	Total

	257.84	1029.17	1287.01

3.21 **Interest on Working Capital**

3.21.1 An amount of Rs. 382.50 lakh on this head was considered in the tariff order for 2014-15. IPCL has claimed Rs 851.55 lakhs towards working capital loan. As per their submission in Form 1.17(b) and they have indicated the rate of interest of such loan as 14.45%.

3.21.2 The weighted average interest on working capital loan has been computed on the basis of working capital loans indicated in Sl no B of Form C submitted on 25.10.2017 and detailed in the following Table 3.21-1:

Table: 3.21-1

INTEREST COMPUTATION OF WORKING CAPITAL LOAN ON

Source	Rate of Interest	OB of Loan in lakh	CB of loahn in lak	Average loan balance (OB+CB/2) in lakh	Applicable interest on Average loan balance
IDBI	12.50%	1312.32	2164.92	1738.62	217.33
SIB	12.50%	4411.31	470.76	2441.04	305.13
Axis	13.15%	386.06	62.59	224.33	29.50
Ratnakar	12.75%	1302.58	130.39	716.49	91.35
SIB	11.25%	0.00	5000.00	2500.00	281.25
Ratnakar	11.00%	0.00	3500.00	1750.00	192.50
Total				9370.47	1117.06
Wt. Average interest					11.92%

3.21.3 In terms of regulations 5.6.5.1 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 18% on the base amount derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc. However, the above assessment of requirement of working capital would be 10% instead of 18% on the base amount since IPCL has already introduced Monthly Variable Cost Adjustment and realized for the year 2014-15. As the actually paid weighted average interest rate 11.92% is less than the

Prime Lending Rate (PLR) of SBI as on 01.04.2014 of 14.45%, the actually paid weighted average interest rate is used for calculation of working capital. The computation of interest on Working Capital is shown in the Table 3.21-2

Table 3.21-2
Interest on Working Capital

Sl	Particulars	Actual Values In Rs Lakhs
1	Total of admitted variable cost and Fixed cost excluding interest on Working Capital	50736.67
2	Less: Depreciation	809.53
3	Less: Deferred Revenue Expenditure	
4	Less: Return on Equity	1287.01
5	Total deductions: (sum of Sl No 2 to Sl No. 4)	2096.54
6	Allowable Gross Sales for Working Capital (1-5)	48640.13
7	Allowable Working Capital @10% on Sl No (6)	4864.01
8	Security deposit from consumer as on 31.03.2016 (Vol III Page 24)	2014.80
9	Balance requirement of working capital (7-8)	2849.21
10	Interest at State Bank Short Term PLR rate or at actual rate of borrowing, whichever is less In %	11.92%
11	Interest on balance requirement of Working Capital (Sl No 9)	339.63
12	Actual Interest for working capital Claimed	6480.84
13	**Interest on Working Capital Admitted (lower of 11 & 12)**	339.63

3.21.4 The amount of Rs. 339.63 Lakh is admitted as working capital interest in APR 2014-15 of IPCL and allocated between generation and distribution function on the basis of Net ARR as shown in the Table 3.21-3:

Table 3.21-3

Working Capital Interest for Generation and Distribution Function-Rs Lakh				
Sl No	**Particulars**	**Generation**	**Distribution**	**Total**
1	Fixed Charge & Fuel Cost /Power Purchase Cost excluding interest on Working Capital	3097.73	47638.94	50736.67
2	Working Capital Interest admitted	20.75	318.88	339.63

3.22 Interest credit

3.22.1 In terms regulation 5.5.3 of the Tariff Regulations, where the actual amount of loan repayment in any year falls short of the depreciation allowable during the year, then interest credit of such excess depreciation charges at the rate of weighted average cost of debt is admissible.

3.22.2 The Commission considered Rs 83.45 lakh towards interest credit during determination of ARR for tariff order of 2014-15. IPCL has not considered any interest credit in the APR application in Form 1.17 (g). Based on the admitted depreciation amount and repayment of loans considered for admitting borrowing cost interest credit is worked out following principles of Tariff Order 2014-15 as follows:

Table 3.22-1

Details	Total
Depreciation	809.53
Actual Repayment	444.44
Additional fund created	365.09
Rate of interest	11.95%
Interest Credit	43.63

3.22.3 The amount of Rs. 43.63 Lakh is admitted as interest credit in APR 2014-15 for distribution as shown in the para 3.22.2 above.

3.22.4 In terms of the Tariff Regulations, depreciation is primarily used for repayment of capital loan. Where, the amount of depreciation falls short of the amount of loan repayment, such shortfall is allowed under Advance against Depreciation (AAD) limited to $1/10^{th}$ of original amount of allowable loan. Similarly, when amount of loan repayment in a year is more than allowed depreciation, an interest credit at the rate of weighted average cost of debt for the corresponding year needs to be adjusted on such excess depreciation charged. Further, in terms of the Tariff Regulations, it is required to be ensured that the depreciation allowed should not go beyond 90% of the original cost of Asset and after repayment of entire loan, the resulting depreciable amount shall be spread over the balance useful life of the fixed asset. Thus, the Commission directs IPCL to provide an audited statement specifying the details of cumulative depreciation and/ or advance against depreciation allowed in previous APR Orders vis-à-vis the actual repayment of loan by them in those years within one month from the date of issuance of this order.

3.23 **Income from Other Sources / Non-Tariff income:**

The income from other operating revenues as per Form 1.26 submitted by IPCL is Rs 451.64 lakh against admitted amount of Rs 359.17 lakh in MYT. In the annual accounts for DPS Division, the such income has been shown as other operating revenue in Note 23.2. However, amount of Rs 182.54 booked in Note 24 of the accounts has not been considered by IPCL. From the note 24 of the accounts for DPS Division, it is also observed that an amount of Rs 38.84 lakh is included in other income which is actually interest income of unforeseen exigencies and has to be reinvested. The matter of Rent received as treated in APR 2011-12 was under consideration of the Commission following APTEL remand and as clarified during Remand petition of APR 2011-12 by IPCL such rent received is from an asset which has not been recognized by the Commission for the purpose of depreciation. Accordingly, Commission considers that, asset which is not recognized for depreciation, income arising out of the same shall not be considered as well while computing ARR. Thus, except the interest income of unforeseen exigencies and rent received, balance Rs 127.78 lakh (182.54 – 38.84-15.92) is being considered under Non-Tariff income. Such amount of Rs 127.78 lakhs is distributed among the distribution function and generation function in proportion to the Net ARR admitted prior to other income. Accordingly, the total admitted income from other / non-tariff sources is Rs. 579.42 lakh (Rs 451.64 lakhs+ Rs 127.78 Lakhs) with functional segregation of Rs. 571.65 lakh for Distribution and Rs. 7.77 lakh for Generation.

3.24 **Admissibility of Capacity Charges based on Availability**

3.24.1 In terms of regulation 6.4.2 of the Tariff Regulations, the recovery of capacity charge for the generating station of IPCL shall be against the normative availability. Schedule 9A of the Tariff Regulations provides for target Plant Availability Factor (in short "PAF") for coal fired thermal generating stations.

3.24.2 Considering the facts that during the year 2014-15 only the DPS 12 MW plant was in operation, the PAF during 2014-15 would be 85% on normative basis as per schedule 9A to the Tariff Regulations. From the data submitted in Form 1.1 and 1.1(a), the actual weighted average PAF in respect of IPCL during 2014-15 was 47.95%. The Commission now decides to deduct capacity charges to the extent of shortfall in PAF achieved by IPCL during 2014-15.

3.24.3 The Commission has admitted the cost under the head of 'Water charges' and "Coal & Ash Handling charges" considering proportionate cost on actual generation vis-à-vis target generation. Thus, the costs allowed under those heads are not considered for disallowances of capacity charges for not attaining the target PAF also in terms of Regulation 5.25.1.

3.24.4 Based on above considerations the disallowance of capacity charge is computed in Table 3.24-1

Table 3.24-1

Sl No	Particulars	Amount in Rs Lakhs
1	Allowable Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc.	1525.89
2	Less: Cost admitted under the head 'Water charges' (para 4.6.5)	9.52
3	Less: Cost admitted under the head 'Coal & Ash Handling Expenses ' (para 4.7.2)	36.03
5	Net fixed charges for disallowance: (1)-(2)-(3)-(4)	1480.34
6	Normative PAF **as per Tariff Regulation**	85
7	PAF Achieved (Form 1.1 page 101 of Volume-1)	47.95
8	Amount of Capacity Charges deductible for shortfall in PAF (considering provision under regulation 6.11.4 (i) of the Tariff Regulation)	555.78

3.24.5 The amount of deductible capacity charge of Rs. 555.78 lakh for short fall in PAF as computed in table above is to be deducted from the fixed charges for generation function on account of short falls in PAF in the APR for 2014 – 2015.

3.25 Fixed Charges as Admitted

Based on the foregoing analyses, the amounts of fixed charges allowable under different heads in respect of IPCL have been shown in Annexure 3B. As shown in the referred annexure, the allowable amount of fixed charges, i.e. gross amount of fixed charges after adjustment of other income less withheld amounts for IPCL for the year 2014-15 comes to Rs. 8080.51 lakh. of which Rs 969.11 lakh pertains to Generation and Rs. 7111.40 lakh pertains to Distribution Function.

ANNEXURE 3A

In Rs Lakhs

Expense element	Admitted amount in 13-14 APR	Growth Rate		Expenditure Amount		Allowable maximum as per principles in 2014-15 MYT order	Considered claim in APR for distribution	Value allowable for each element of Item	Allowable for the Controllable item
		Estimated in MYT for 2014-15	Actual in 2014-15	Projected in MYT	Actual				
Auditor	17	5.32	5.45	9	18	17.93	18.95	17.93	298.00
Legal	67.2	8.35	8.67	66	386	73.03	151.04	73.03	
Other A&G Dist	209.94	6.27	4.12	223	860	218.58	738.37	218.58	
Total A&G Expenses For Distribution	294.14			298	1264	310	908.36	309.54	298.00

ANNEXURE 3B

SUMMARY OF FIXED COST [in Rs Lakhs]

Sl No	Particulars	2014-15 MYT			2014-15 APR Application					2014-15 APR Admitted		
		DPS	DIST.	TOTAL	CPS	DPS	Gen Total	Dist	Total	Gen	Dist	Total
1	Fuel	1396.25		1396.25		1708.95	1708.95	0.00	1708.95	1573.36		1573.36
2	Power Purchase Cost		39303.79	39303.79			0.00	41050.55	41050.55		40246.42	40246.42
3	Coal and Ash Handling Charge	36.03		36.03		36.03	36.03		36.03	36.03		36.03
4	Employee Cost	215.08	3633.96	3849.04		229.81	229.81	3882.82	4112.63	229.81	3802.68	4032.49
5	O&M Charges for Generation	76.68	611.00	687.68		166.77	166.77		166.77	76.68		76.68
6	R&M for distribution		313.00	313.00			0.00	276.98	276.98		313.00	313.00
7	A&G Expenses for Distribution		298.00	298.00			0.00	1032.64	1032.64		298.00	298.00
7A	License/ Filing Fees										5.39	5.39
8	Rates and Taxes		17.00	17.00		2.14	2.14	70.95	73.09	0.97	30.39	31.36
9	Insurance	0.09	25.91	26.00		0.09	0.09	31.08	31.17	0.09	31.08	31.17
10	Financing Charges		86.22	86.22			0.00	52.01	52.01	4.93	124.31	129.24
11	Interest on Borrowed Capital	510.00	709.14	1219.14		477.87	477.87	1742.85	2220.72	642.17	409.53	1051.70
12	Interest on Consumer Security		118.29	118.29			0.00	118.29	118.29	0.00	118.29	118.29
13	Depreciation	237.68	861.30	1098.98	100.95	335.04	435.99	916.55	1352.54	239.97	569.56	809.53
14	Advance against Depreciation			0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
15	Water Charges	10.93		10.93		10.93	10.93		10.93	9.52		9.52
16	Taxes on Income	77.18	225.67	302.85		26.36	26.36	663.94	690.30	26.36	663.94	690.30
17	Return on equity	385.88	1128.39	1514.27	149.73	506.16	655.89	1635.28	2291.17	257.84	1029.17	1287.01

Sl No	Particulars	2014-15 MYT			2014-15 APR Application					2014-15 APR Admitted		
		DPS	DIST.	TOTAL	CPS	DPS	Gen Total	Dist	Total	Gen	Dist	Total
18	**Aggregate Revenue Requirement (ARR) without working capital**	**2945.80**	**47331.67**	**50277.47**	**250.68**	**3500.15**	**3750.83**	**51473.94**	**55224.77**	**3097.73**	**47641.76**	**50739.49**
19	Interest on Working Capital	33.01	349.49	382.50		32.51	32.51	819.04	851.55	20.75	318.88	339.63
20	**Gross ARR (16+17)**	**2978.81**	**47681.16**	**50659.97**	**250.68**	**3532.66**	**3783.34**	**52292.98**	**56076.32**	**3118.48**	**47960.64**	**51079.12**
21	Interest Credit	18.16	65.29	83.45					0.00	12.46	31.17	43.63
22	Less; Other Misc. income	19.53	339.64	359.17				451.64	451.64	7.77	571.65	579.42
23	Net ARR	**2941.12**	**47276.23**	**50217.35**	**250.68**	**3532.66**	**3783.34**	**51841.34**	**55624.68**	**3098.25**	**47357.82**	**50456.07**
24	Disallowance of capacity charge									555.78	0.00	555.78
25	Net ARR admitted									**2542.47**	**47357.82**	**49900.29**
26	Net Fixed Charge recoverable									**969.11**	**7111.40**	**8080.51**

CHAPTER – 4

AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

4.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges and fuel and power purchase cost, the re-determined allowable fixed charges for generation and distribution functions as well as fuel and power purchase cost of IPCL during the year 2014-15 came as under at Table 4.1 of Chapter 4:

Table 4.1

Sl No	Particulars	Amount (Rs. In Lakh)		
		Generation Dishergarh	Distribution	Total
1	Admitted Fuel Cost excluding gain on improved distribution loss (para 2.27 of Chapter 2)	1573.36		1573.36
2	Admitted Power Purchase Cost excluding gain on improved distribution loss (para 2.27 of Chapter 2)		39343.70	39343.70
3	Additional amount on account of savings in the rate of Distribution loss		902.72	902.72
4	**Total Fuel and Power Purchase Cost including gain on improved distribution loss (1+2+3)**	**1573.36**	**40246.42**	**41819.78**
5	Fixed charge allowed (paragraph 3.27)	969.11	7111.40	8080.51
6	**Total (4+5)**	**2542.47**	**47357.82**	**49900.29**

4.2 In terms of paragraph C of Schedule 9B of the Tariff Regulations, gains accruing to a distribution licensee due to its performance in distribution loss being better than the norms of distribution loss in any year up to 2013-14 may be retained by that distribution licensee in that year subject to gain sharing applicable separately for fuel cost of own generation as specified in paragraph A of Schedule 7 A of the Tariff Regulations during Fuel and Power Purchase Cost (FPPC) determination. In terms of paragraph 2.23.1 of Chapter 2 of this order, IPCL saved 27.932 MU for better performance in distribution loss than the norms and they have been allowed to retain the benefit for such savings in fuel and power purchase cost amounting to Rs. 949.85 lakh during FPPC determination for 2014-15 as per paragraph 2.23.2 in Chapter -2.

4.3 In terms of paragraph 4.1 above, the total admitted variable and fixed cost including gain in improved distribution loss in APR for 2014-15 of IPCL for sale of energy to consumers comes to Rs. 49900.29 lakh for 878.06 MU of energy @ 568.30 paise / kWh. Units saved through reduction of distribution loss in 2014-15 is 27.932 MU and therefore IPCL is allowed to retain the 75% revenue earned i.e., Rs. 1190.53 lakh (27.932 MU x 568.30 *0.75 paise/kWh) subject to adjustment of gain sharing accruing to them amounting to Rs. 949.85 lakh as specified in paragraph 4.2 above. The net adjustment with the actual revenue realized from such savings in sale of energy to own consumers comes to Rs. 240.68 lakh (Rs. 1190.53 lakh - Rs. 949.85 lakh).

4.4 The Commission is now to see how much sales revenue had been earned by IPCL by way of sale of power to the consumers and WBSEDCL with reference to its audited accounts. The figure comes as under at Table-4.2:

Table-4.2

Sl. No.	Particulars	Amount (Rs. In Lakh)
1	Earnings from sale of electricity as per Note 22.1.1 of the audited accounts of IPCL for the year 2014-15	55355.16
2	Less: FPPCA calculated and considered as revenue as per Note 22.1 (a) of the audited accounts	1153.97
3	Less: Estimated incentive recoverable booked as revenue for 2014-15	1219
5	Less: Certain claims recoverable from consumers pertaining to earlier years pending before the Commission as per Note 22.1 of the audited accounts	979.82
6	Actual revenue realized from sale of energy to consumers and WBSEDCL [1-(2 to 5)]	52002.37

4.5 In terms of paragraph 4.3 above, Rs 231.95 lakh is to be adjusted against actual revenue realized from sale of energy for 2014-15 amounting to Rs. 52002.37 lakh. Accordingly, the actual revenue realized by IPCL from sale of energy to own consumers and WBSEDCL comes to Rs. 51761.69 lakhs (Rs 52002.37 lakhs-Rs 240.68 lakhs).

4.6 Thus, the amount to be refunded to licensee and consumers is Rs.1861.40 lakhs (Rs.51761.69 lakhs - Rs.49900.29lakhs). The same is allocated to different generating function and distribution function in proportion to the net admitted ARR as below at Table- 4.3:

Table-4.3

Rs. in Lakh

Particulars	Amount
Generation Function Dishergarh	95.96
Distribution Function	1765.44
Total	1861.40

4.7 In terms of regulation 2.6.6 of the Tariff Regulations, the entire amount of excess recovery of Rs. 1861.40 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for any other ensuing year, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of IPCL for the concerned ensuing year accordingly.

4.8 This order passed by the Commission shall be subject to any order which may be passed by the Hon'ble Division Bench in High Court at Calcutta in MAT 1643 of 2015.

4.9 IPCL is to take note of this order.

CHAPTER – 5

DIRECTIONS

5.1 IPCL is directed to provide actual audited figure for each head of expenditure whether controllable or uncontrollable properly allocating between generation and distribution functions in their APR petition for the ensuing years and to comply with the directions given in different chapters in this order. IPCL may, however, submit reconciliation statement for each head of expenses necessitating any adjustment separately.

5.2 The generating unit at Dishergarh was operated at a PLF of only 37.11% during 2014-15. IPCL is directed to run the same at higher PLF in coming years by arranging adequate quantity of coal.

5.3 IPCL is further directed that, on expiry of three months with effect from the date of issue of this Order,

(i) there shall be no procurement of coal other than linkage or direct e-auction from CIL without prior approval of the Commission. All existing approvals for coal procurement shall abate.

(ii) transparent competitive bidding should be the mode of procurement of power by the licensee and any exception shall be only with prior approval of the Commission.

(iii) transparent competitive bidding should be the mode of selection of the coal transporter or coal handling agencies by the licensee and any exception shall be only with prior approval of the Commission.

5.4 In Para 9.9 of the tariff order IPCL was Directed that:

"While submitting APR application of any ensuing year IPCL shall submit the certificate from the statutory auditor of the annual accounts of the said year for the following parameters.

i) Based on fixed asset register the parameters to be submitted are –

a. the distribution line and the transmission line (if any) which is essential part of distribution system as per section 2(72) of Electricity Act 2003) length in CKM for *each level of Voltage related to the asset of IPCL. For the asset which is not owned by the IPCL but maintained by IPCL shall be shown separately.*

b. Similarly the number of transformers and total capacity of transformation in MVA or KVA for each category of transformers for distribution system are to be provided."

IPCL in reply furnished the detail through their letter dated 28.01.2020 (For 2014-15) and 15.12.2020 – Appendix 2 (For 2013-14). In their submission dated 11.06.2020, IPCL has prayed to consider details submitted through affidavit in lieu of statutory auditors' certificate as the auditors have requested for complete site verification and measurement of line length.

It is observed that in the auditor's report submitted with the standalone financial results in the annual report, the statutory auditors have reported the following:

Annexure to the Auditor's Report our Report of even date:

i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regards to the size of the company and nature of its assets. In accordance with this programme, fixed assets were physically verified by the management during the reporting period and that no material discrepancies were noticed on verification.

It is not clear how the auditors could certify the proper maintenance of fixed asset quantitative detail but could not certify the quantity recorded in books for a particular asset.

IPCL is directed to comply the directions of Para 9.9 of the Tariff order for 2014-15 to 2016-17 in all future APRs.

5.5 IPCL is directed to furnish document regarding the details of the process adopted for selection of the Insurance Company including Copy of the tender evaluation sheet for selection of the insurance company, tender inviting letter and the quotations of different parties.

5.6 A copy of the order shall be posted in the website of the Commission.

5.7 IPCL shall download the copy of the order from the website of the Commission and act on it. Certified copy of the order, if applied for, be given to the parties on completion of formalities laid down in the West Bengal Electricity Regulatory Commission (Conduct of Business) Regulations, 2013, as amended and on submission of necessary fees.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

DATED: 28.07.2022

Sd/-
SECRETARY