



# West Bengal State Electricity Distribution Company Limited



Application seeking  
Annual Performance Review for 2020-21

Submitted to the  
**HON'BLE WEST BENGAL ELECTRICITY REGULATORY  
COMMISSION**



पश्चिम बंगाल WEST BENGAL



BEFORE THE HONOURABLE WEST BENGAL  
ELECTRICITY REGULATORY COMMISSION, KOLKATA

File No. \_\_\_\_\_

Case No. \_\_\_\_\_

IN THE MATTER OF: Application seeking Annual Performance Review  
for annual fixed charges for the year 2020-21 under  
regulation 2.6 of the West Bengal Electricity  
Regulatory Commission (Terms and Conditions of  
Tariff) Regulations, 2011 as amended.

And

IN THE MATTER OF: West Bengal State Electricity Distribution Company  
Limited, Vidyut Bhawan, Block DJ, Sector - II,  
Bidhannagar, Kolkata - 700 091.

**B. N. SAHA**  
**NOTARY**  
Bikash Bhawan  
North Block, Gr. Floor  
Bidhannagar, Kolkata  
West Bengal

*Sudipta Mukhopadhyay*  
Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL

22 JUL 2022

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Vidyut Bhawan, Salt Lake  
Kolkata - 700 091

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NOTARY  
R. M. SAHA  
Kolkata - 700 091





## BEFORE THE NOTARY PUBLIC

### AFFIDAVIT

I, Sri Sudipta Mukhopadhyay, son of Late Deb Kumar Mukhopadhyay, aged 58 years by faith Hindu residing at 2 Kundan Bye Lane, Liluah Howrah – 711204 do hereby solemnly affirm and declare as follows:


1. That I am the Chief Engineer (Regulation) of the West Bengal State Electricity Distribution Company Limited and have been acquainted with the fact and circumstances narrated in the application in respect of which the affidavit is sworn.
2. I have been authorized to swear this affidavit on behalf of West Bengal State Electricity Distribution Company Limited as I am competent to do so.
3. The statements made in paragraphs 1 to 3 with Annexure - I to VI of Volume-I and Volume-II are true to my knowledge and belief and the statement made in other paragraphs of the application are matters of records made available to me and based on information received which I believe to be true and correct.
4. I hereby admitted "That no expenditure has been claimed by WBSEDCL through the APR petition on employee or infrastructure or any other support or O&M activity pertaining to any other business of WBSEDCL not in relation to their licensed business"

Place: Kolkata

Date:

Deponent

*Sudipta Mukhopadhyay*  
Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL

  
**B. N. SAHA**  
**NOTARY**  
Bikash Bhavan  
North Block, Gr. Floor  
Bidhannagar, Kolkata  
West Bengal

**IDENTIFIED BY ME**  
  
**ADVOCATE**

**Solemnly Affirmed**  
**&**  
**Declared Before me**  
**Identification of Adversary**

  
**B. N. SAHA**  
Notary

**22 JUL 2022**



Application seeking Annual Performance Review for 2020-21

**BEFORE THE HON'BLE WEST BENGAL ELECTRICITY  
REGULATORY COMMISSION**



Filing No. \_\_\_\_\_

Case No. \_\_\_\_\_

**IN THE MATTER OF:**

Application seeking Annual Performance Review  
for annual fixed charges for the year 2020-21  
under regulation 2.6 of the West Bengal Electricity  
Regulatory Commission (Terms and Conditions of  
Tariff) Regulations, 2011 as amended.

**AND**

**IN THE MATTER OF:**

West Bengal State Electricity Distribution  
Company Limited, Vidyut Bhavan, Block – DJ,  
Sector – II, Bidhannagar, Kolkata – 700 091.

**THE APPLICANT ABOVE NAMED RESPECTFULLY SUBMITS**

**West Bengal State Electricity Distribution Company Limited**

3 | Page

*Sunil Kumar Choudhary*  
Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL





## Table of Contents

<b>1. Introduction</b>	<b>8</b>
1.1. Preamble	8
1.2. Introduction	8
1.3. Submission by WBSEDCL to the Hon'ble Commission	8
<b>2. Annual Performance Review for 2020-21</b>	<b>11</b>
2.1 Introduction	11
2.2 Central Transmission Utility (CTU) charges	12
2.3 System operation charges payable to POSOCO (Power System Operation Corporation Limited)	13
2.4 Eastern Region Power Committee (ERPC) charge	14
2.5 State Transmission Utility (STU) charges	14
2.6 State Load Despatch Centre (SLDC) charges	16
2.7 Reactive Energy (VARH) charge	16
2.8 Interest on Bonds for creation of Pension Fund	18
2.9 Interest on consumers' security deposits	20
2.10 Carrying cost of regulatory assets	22
2.11 Expenditure for Rates and Taxes	27
2.12 Interest on capital borrowings	30
2.13 Other finance charges	31
2.14 Depreciation	35
2.15 Interest on Working Capital	36
2.16 Interest on COVID Loan and Loan for AAMPAN restoration work	37
2.17 Employee cost	38
2.18 Operation and Maintenance expenses for generation	40
2.19 Operation & Maintenance expenses and Outsourcing expenses for distribution	41
2.20 Expenditure for Complaint Management Mechanism	48
2.21 Expenditure for lease rental line	49
2.22 Expenditure for Insurance	50



2.25	Bad debt .....	51
2.26	Other expenses .....	52
2.27	Return on Equity .....	54
2.28	Minimum Alternate Tax .....	55
2.29	Deviation Settlement Mechanism (DSM) / Unscheduled Interchange (UI) charges payable .....	56
2.30	Income from non-tariff sources .....	57
2.31	Benefits from sale of power to persons other than the consumers and licensees .....	59
2.32	Interest credit on depreciation .....	59
2.33	Repayment of Bonds for Pension Fund .....	60
3.	Prayer .....	63

Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL





## List of Tables

Table 1: CTU charges for 2020-21 .....	12
Table 2: POSOCO charges for 2020-21 .....	13
Table 3: ERPC charge for 2020-21 .....	14
Table 4: STU charges for 2020-21 .....	15
Table 5: SLDC charges for 2020-21 .....	16
Table 6: VARH charges for 2020-21 .....	17
Table 7: Interest on Bonds for creation of Pension Fund for 2020-21 .....	18
Table 8: Interest on consumers' security deposits for 2020-21 .....	21
Table 10: Rates and Taxes for 2020-21 .....	27
Table 11: Rates and Taxes for 2020-21 .....	28
Table 12: Interest on borrowings for 2020-21 .....	30
Table 13: Other finance charges for 2020-21 .....	31
Table 14: Impact of Ind AS on 20-21 (considered in this APR Application for 20-21) .....	34
Table 15: Total other finance charges for 2020-21 .....	35
Table 16: Depreciation for 2020-21 .....	35
Table 17: Depreciation for 2020-21 (As claimed by WBSEDEL) .....	36
Table 18: Employee cost for 2020-21 .....	38
Table 19: O&M expenses for generation for 2020-21 .....	40
Table 20: R&M, A&G, and Outsourcing expenses for distribution for 2020-21 .....	41
Table 21: Comparison of distribution O&M and outsourcing expenses for 2019-20 and 2020-21 .....	43
Table 22: Comparison of outsourced manpower increased in 2020-21 .....	45
Table 23: Complaint Management Mechanism expenditure for 2020-21 .....	48
Table 24: Lease rental line expenditure for 2020-21 .....	49
Table 25: Insurance expenditure for 2020-21 .....	50
Table 26: Total Operation and Maintenance Expenses for 2020-21 .....	51
Table 27: Total Other Expenses for 2020-21 .....	52
Table 28: Return on Equity for 2020-21 .....	55
Table 29: Income from non-tariff sources for FY 2020-21 .....	57
Table 30: Other General receipts arising from and ancillary or incidental to the business of electricity for FY 2020-21 .....	58
Table 31: Interest credit on depreciation for 2020-21 .....	60
Table 32: Repayment of Bonds for Pension Fund for FY 2020-21 .....	60
Table 33: Total Amount recoverable through APR Application for 2020-21 after adjustment of variable cost as per FPPCA Application for 2020-21 .....	61





## Abbreviations

A&G	Administrative and General
APR	Annual Performance Review
APTEL	Appellate Tribunal for Electricity
BRGF	Backward Region Grant Fund
CCC	Customer Care Center
CTU	Central Transmission Utility
ERPC	Eastern Region Power Committee
FPPCA	Fuel and Power Purchase Cost Adjustment
IVRS	Interactive Voice Response System
MCSU	Mobile Consumer Service Unit
MPLS	Multiprotocol Label Switching
MYT	Multi Year Tariff
NTESC	M/s New Town Electric Supply Co.
O&M	Operation and Maintenance
R&M	Repair and Maintenance
R-APDRP	Restructured Accelerated Power Development and Reform Programme
RGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
SOP	Standards of Performance
STU	State Transmission Utility
VPN	Virtual Private Network
WBERC	West Bengal Electricity Regulatory Commission
WBSEB	West Bengal State Electricity Board
WBSEDCL	West Bengal State Electricity Distribution Company Limited
WBSETCL	West Bengal State Electricity Transmission Company Limited
ZCC	Zonal Call Center



## 1. Introduction

### 1.1. Preamble

- 1.1.1 This section presents the background and reasons for filing this Application.

### 1.2. Introduction

- 1.2.1 WBSEDCL is deemed to be a licensee under the Act in terms of fifth proviso to Section 14 of the Act. WBSEDCL is presently engaged in the business of Generation of solar and hydroelectricity and Distribution of electricity within the area of supply of WBSEDCL in the state of West Bengal.
- 1.2.2 The Hon'ble West Bengal Electricity Regulatory Commission has issued the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 (hereinafter referred as tariff Regulation) which has come into effect from 29<sup>th</sup> April 2011 and necessary amendments issued by Hon'ble Commission from time to time.
- 1.2.3 As per the provisions stipulated in Regulation 2.6 of the Tariff Regulations, the licensee shall be subjected to an Annual Performance Review (hereinafter referred to as "APR") covering annual fixed costs, which are not covered under the process of Fuel and Power Purchase Cost Adjustment (hereinafter referred to as "FPPCA").

### 1.3. Submission by WBSEDCL to the Hon'ble Commission

- 1.3.1 WBSEDCL hereby submits the Application as per provisions of the Tariff Regulations framed under section 62 of the Act seeking an Annual

*Sandip Kumar Das*

Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL





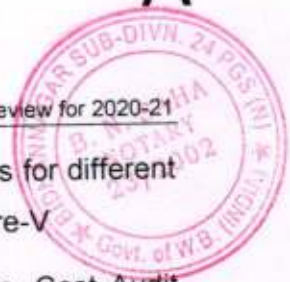
Performance Review for the annual fixed charges for the year 2020-21 and based on Audited Annual Accounts for the said year.

- 1.3.2 WBSEDCL has taken over distribution function of DPL pursuant to direction of commission vide case no. A-6/14 dated 31.12.2018 passed subsequent to the Govt. order dated 31.12.2018 U/S 108 of EA 2003. Although the date of takeover was 01.01.2019, the respective slump-sale agreement was executed on 23.09.2019 after finalization of transfer conditions, purchase consideration and final statement of asset and liabilities. The respective expenditure heads claimed in this application e.g., employee cost, reserve for unforeseen exigencies, O&M etc. includes expenditure of distribution business taken over from DPL.
- 1.3.3 Such APR Application has been furnished with necessary related information as per format for tariff application for the purpose of assessing the reasons and extent of variation in the performance from the approved projection. This APR Application consists of Volume-I, Volume-II, Appendix-I-IV of submissions as follows.
- (i) APR Application.
  - (ii) Volume-I - it consists of Data Formats and other supporting documents having Annexure-I to VI
  - (iii) Volume-II - it consists of Compliance report having Annexure-1 to Annexure- 41
  - (iv) Appendix-I - it consists of copy of the Audited Annual Report & Accounts of WBSEDCL for 2020-21.
  - (v) Appendix-II - it consists of copies of the Audited Annual Accounts of Pension Fund, Gratuity Fund, Contributory Provident Fund and General Provident Fund Trustee Board of WBSEDCL for 2020-21.



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- (vi) Appendix-III - it consists of copies of rate revision orders for different outsourcing contracts marked as Annexure-I to Annexure-V
- (vii) Appendix-IV – Copies of Lease Rental Bills and LOAs, Cost Audit Report for 2020-21







## 2. Annual Performance Review for 2020-21

### 2.1 Introduction

- 2.1.1 This section outlines the performance of WBSEDCL for the year 2020-21. In line with the provisions of the Tariff Regulations, WBSEDCL hereby submits the Application for APR for the year 2020-21, comparing the audited actual fixed costs for 2020-21 with those admitted by the Hon'ble Commission vide the Tariff Order for 2020-21.
- 2.1.2 The Board of Directors of WBSEDCL has approved the Annual Accounts of WBSEDCL for the period from April 2020 to March 2021 on September 15, 2021. The Comptroller and Auditor General of India, vide report dated 15.09.2021 has completed the Audit of WBSEDCL Annual Accounts. The Audited Annual Report & Accounts of WBSEDCL for 2020-21 is enclosed as Appendix-I of this APR Application. WBSEDCL hereby proposes to review its fixed costs based on the Audited Annual Accounts.
- 2.1.3 Accordingly, WBSEDCL hereby submitting the APR Application for the year 2020-21.



## 2.2 Central Transmission Utility (CTU) charges

- 2.2.1 Comparison of actual Central Transmission Utility charges (hereinafter referred to as "CTU charges") for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

Table 1: CTU charges for 2020-21

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
PGCIL charges	1,02,684	1,07,873	Note 34(B) and 34.4 of Audited Annual Accounts and Auditors Certificate for FPPCA_2020-21
PGCIL arrear dues		3,130	
NVVN Ltd (Reimbursement for interstate transfer of solar power)		1,005	
<u>Less: Rebate for timely payment includes COVID Rebate for CTU</u>		3,603	
<u>Add: Transmission Charge pertaining to purchase of short-term power</u>		5,978	
<b>Total CTU charges</b>	<b>1,02,684</b>	<b>1,14,383</b>	

- 2.2.2 Such CTU charges are paid to the Central Transmission Utility (i.e., PGCIL in this case) by WBSEDCL for using the transmission network of PGCIL for wheeling of power purchased by WBSEDCL from various entities. Such CTU charges are as per charges approved by the Central Electricity Regulatory Commission (hereinafter referred to as "CERC").
- 2.2.3 As per the Audited Annual Accounts of WBSEDCL for 2020-21, the CTU Charges includes PGCIL charges of Rs. 1,07,873 lakhs, PGCIL arrear dues of Rs. 3,130 lakhs, NVVN Ltd (reimbursement of interstate transfer of solar power) of Rs. 1,005 lakhs, less rebate of Rs. 3,603 lakhs for timely payment of central transmission charges includes the COVID Rebate of Rs. 3,595 lakhs.





2.2.4 In addition, Rs. 5,978 lakhs are paid by WBSEDCL in 2020-21 as 'Open Access Charge for Purchase of short-term power' through traders and power exchanges (refer Auditor Certificate in Annexure-II of Volume-I containing break-up of power purchase cost mentioned in the Audited Annual Accounts). Such Open Access charge is transmission charge in nature and a fixed cost item as per the Tariff Regulations. Hence it has not been considered in the Application for FPPCA for 2020-21 and such cost paid is now considered as part of the CTU charges in this APR Application for 2020-21

2.2.5 So, Rs. 1,14,383 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as CTU charges in the APR for 2020-21.

### 2.3 System operation charges payable to POSOCO (Power System Operation Corporation Limited)

2.3.1 Comparison of actual POSOCO charges for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

Table 2: POSOCO charges for 2020-21

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
POSOCO charges	491	259	Note 34.B of Audited Annual Accounts
Add: POSOCO (Arrear dues)		0	
<b>Total POSOCO charges</b>	<b>491</b>	<b>259</b>	

2.3.2 Such POSOCO charges are paid by WBSEDCL to POSOCO on account of integrated operation of the national power grid while the power purchased by WBSEDCL from various entities is wheeled across

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the central transmission grid. Such charges are payable as determined by CERC.

2.3.3 As per the Audited Annual Accounts of WBSEDCL for 2020-21, the POSOCO charges in 2020-21 is Rs. 259 lakhs paid by WBSEDCL.

2.3.4 So, Rs. 259 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as POSOCO charges in the APR for 2020-21.

## 2.4 Eastern Region Power Committee (ERPC) charge

2.4.1 Comparison of actual Eastern Region Power Committee charge (hereinafter referred to as "ERPC charge") for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 3: ERPC charge for 2020-21**

Particulars	2020-21	2020-21	Reference	Rs. Lakh
	(Admitted)	(Actual)		
ERPC charge	16	16	Note 34.C of Audited Annual Accounts	

2.4.2 Such ERPC charge is paid by WBSEDCL, it being a member of ERPC for safe and secure operation of the Eastern Regional power grid.

2.4.3 As per the Audited Annual Accounts of WBSEDCL for 2020-21, the ERPC charge of Rs. 16 lakhs are paid in 2020-21, which was admitted by the Hon'ble Commission as the ERPC charge in the Tariff Order for 2020-21. Thus, WBSEDCL has no additional claim under this head.

## 2.5 State Transmission Utility (STU) charges

2.5.1 Comparison of actual State Transmission Utility charges (hereinafter referred to as "STU charges") for 2020-21 against that admitted by the

*Sunil Kumar Mukherjee*  
Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL





Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 4: STU charges for 2020-21**

Particulars	2020-21 (Admitted)	2020-21 (Actual)	Reference
WBSETCL charges	1,39,757	1,39,733	Note No. 34(B) of Annual Accounts and Auditor Certificate in Annex-II of Vol-I
WBSETCL (Arrear Dues)		18,063	
<b>Total WBSETCL charges</b>	<b>1,39,757</b>	<b>1,57,796</b>	

Rs. Lakh

- 2.5.2 Such STU charges are paid to the State Transmission Utility (i.e., WBSETCL in this case) by WBSEDCL for using the transmission network of WBSETCL for transmitting power purchased/generated by WBSEDCL.
- 2.5.3 In this context, it has been noted that other state distribution licensees are using state transmission network regularly taking short term open access to avoid payment of long-term STU charge, being relatively higher and effectively such burden is passed on to the consumers of WBSEDCL. Hence, the above matter is brought to the knowledge of the Hon'ble Commission so that necessary amendment of regulations can be taken up to avoid incidence as stated above.
- 2.5.4 As per the Audited Annual Accounts of WBSEDCL for 2020-21, transmission charges paid to WBSETCL in 2020-21 is Rs. 1,57,796 lakhs including arrear dues of Rs. 18,063 lakhs claimed as per order of Hon'ble Commission.
- 2.5.5 So, total STU charges of Rs. 1,57,796 lakhs, incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as STU charges in the APR for 2020-21.



## 2.6 State Load Despatch Centre (SLDC) charges

- 2.6.1 Comparison of actual SLDC charges for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

Table 5: SLDC charges for 2020-21

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
SLDC charges	2,211	1,947	Note No. 34(D) of Annual Accounts and Auditor Certificate in Annex-II of Vol-I
Total	2,211	1,947	

- 2.6.2 Such SLDC charges are paid by WBSEDCL to West Bengal SLDC on account of safe and secure operation of the state power grid. The state grid is utilized for wheeling of the power purchased by WBSEDCL from various entities. The SLDC charges are paid as per the rate determined by the Hon'ble Commission.
- 2.6.3 As per the Audited Annual Accounts of WBSEDCL for 2020-21, the total SLDC charges in 2020-21 is Rs. 1,947 lakhs.
- 2.6.4 So, total SLDC charges of Rs. 1,947 lakhs, incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as SLDC charges in the APR for 2020-21.

## 2.7 Reactive Energy (VARH) charge

- 2.7.1 Comparison of actual VARH charges for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.





Table 6: VARH charges for 2020-21

Rs. Lakh

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
VARH charges	0	1,123	Note No. 34(E) of Annual Accounts

2.7.2 ERLDC claims VARH charges from West Bengal SLDC on weekly basis as per VARH draws at various Inter State Transmission Services (ISTS) inter connection points at high and low voltage as per CERC Indian Electricity Grid Code (IEGC) Regulations, 2010. West Bengal SLDC in turn raises invoices. Such VARH charges are paid by WBSEDCL to West Bengal SLDC.

However, as per regulation no. 4.6.1(a) of IEGC, 2010 regulations '*Reactive Power Compensation and/or other facilities shall be provided by STUs and users connected to ISTS as far as possible in the low voltage systems close to the load points thereby avoiding the need for exchange of Reactive Power to/ from ISTS and to maintain ISTS voltage within the specified range*'.

Further as per 4.6.1 (b) of IEGC, 2010 regulations,

*'...The users and STUs shall provide information to RPC and RLDC regarding the installation and healthiness of the reactive compensation equipment on regular basis. RPC shall regularly monitor the status in this regard.'*

Hence, it must be noted that VARH charges being incurred by WBSEDCL is not a case of inefficiency from the end of WBSEDCL.

However, WBSEDCL has taken initiative to reduce low voltage area by increasing substations and also to restrict VARH charge. In this regard

  
Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL



the compliance report submitted in Annexure -33 of Vol-1 of this APR application kindly be referred.

WBSEDCL has taken initiative to reduce low voltage area by increasing substations and also to restrict VARH charge, by this way VARH charges has reduced in FY 2020-21 compared to FY 2019-20.

2.7.3 As per the Audited Annual Accounts of WBSEDCL for 2020-21, the total VARH charges in 2020-21 is Rs. 1,123 which is lower than the VARH Charges of 2019-20 i.e., Rs.1,504 lakhs.

2.7.4 Such VARH charges of Rs. 1,123 lakhs, incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as the VARH charges in the APR for 2020-21 as these are uncontrollable in nature.

## 2.8 Interest on Bonds for creation of Pension Fund

2.8.1 Comparison of actual interest on Bonds for creation of Pension Fund for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 7: Interest on Bonds for creation of Pension Fund for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Interest on Pension Trust Bond	5,202	9,971	Note No. 36 (IV) of Annual Accounts

2.8.2 Based on the direction of Hon'ble Commission in 6.8.3 of the Tariff Order for 7<sup>th</sup> Control Period, Interest due vis-à-vis actually paid by the WBSEDCL from 2017-18 to 2020-21 is presented below:



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Application seeking Annual Performance Review for 2020-21

Statement showing Interest due on 8.5% bonds for Terminal Benefits to Employee vis-s-vis Actual Interest paid

Year	Type of Order	Admitted in APR/Tariff		Interest due on timely payment of Principal Amount	Actual Payment		Remarks
		Principal repayment of Bond	Interest on bond for pension fund		Principal repayment of bond	Interest on bond for pension fund amount	
2017-18	APR	30,600	10,404	10,404	30,600	10,404	
2018-19	Tariff	15,300	10,020	9,104	5,100	10,020	Principal repayment amount claimed in APR 2018-19 against the actual payment.
2019-20	Tariff	15,300	7,370	7,803	-	9,971	Principal repayment amount not claimed in APR 2019-20 as the same was not paid Claimed Interest as actual.
2020-21	Tariff	30,600	5,202	5,202	-	9,971	Principal repayment amount not claimed in APR 2020-21 as the same was not paid Claimed Interest as actual.
Total:		91,800	32,996	32,513	35,700	40,366	

2.8.3 From the above table it reveals that since 2017-18 to 2020-21 the Hon'ble Commission had allowed Rs. 91,800 lakhs under the head principal repayment of 8.5% Bonds and based on such admissible amount, the cumulative interest on such Bond arrived at Rs. 32513 lakhs against which WBSEDCL has actually paid Rs. 40,366 lakhs.

*Sudip Kumar Dasgupta*  
Chief Engineer (Regulation)  
Regulation Department  
WBSEDCL



Thus, there was a difference of Rs. 7,853 lakhs between interest due and the actual paid.

In this context it is worthwhile to mention that though the commission has admitted Rs. 91,800 lakhs since from 2017-18 to 2020-21 but WBSEDCL had made a payment to the tune of Rs. 35,700 lakhs towards principal repayment of 8.5% bonds. Thus, there was a shortfall in actual repayment of principal of Rs. 56,100 (Rs. 91,800-Rs.35,700) lakhs against the admitted amount by the WBERC. Nevertheless, WBSEDCL had passed on the short payment amount of Rs. 56,100 lakhs through the APR of the respective financial years.

Thus, excess quantum of interest to the extent of Rs. 7,853 lakhs due to delayed/non-payment of principal is much lesser than the quantum benefits of Rs. 56,100 lakhs which WBSEDCL had foregone. According to this will have a lesser burden on the consumers due to the reason that the consumers will be ultimate benefitted by Rs. 48,247 lakhs (Rs. 56,100 – Rs. 7,853) lakhs.

- 2.8.4 Accordingly, as per the Audited Annual Accounts of 2020-21, Rs. 9.971 lakhs are paid by WBSEDCL to the Pension Trust fund as interest on bond for creation of Pension Fund in 2020-21, which is same as FY 2019-20. Copy of the audited accounts of the Pension Trust Fund for 2020-21 is enclosed as Appendix-II of this APR Application.
- 2.8.5 So, Interest on pension trust bond of Rs. 9,971 lakhs, incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as Interest on pension trust bond in the APR for 2020-21.

## **2.9 Interest on consumers' security deposits**

- 2.9.1 Comparison of actual amount of interest on consumers' security deposits for 2020-21 against that admitted by the Hon'ble Commission





for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 8: Interest on consumers' security deposits for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Interest on consumers' security deposits	23,265	22,829	Note No. 36 (V) of Annual Accounts

- 2.9.2 As per the Audited Annual Accounts of 2020-21, actual interest incurred in 2020-21 on security deposits from consumers is Rs. 22,829 lakhs.

WBSEDCL in its Tariff Petition for 2020-21 projected the Interest on consumers' security deposits as Rs. 23,265 lakhs, accordingly, the Hon'ble Commission in the Tariff Order for 2020-21 admitted the amount of Rs. 23,265 lakhs against the claim of WBSEDCL.

- 2.9.3 In compliance to the directives of the Hon'ble Commission in para 6.16.4 of the Tariff Order for 2020-21, 2021-22 & 2022-23, an auditor certificate, certifying the break-up of security deposit from consumers, interest incurred on consumer security deposits, and utilization of security deposit for 2020-21, is enclosed as Annexure-28A of Volume-II of this APR Application.

- 2.9.4 The interest on consumers' security deposits of Rs. 22,829 lakhs accounted for by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as the interest on consumers' security deposits in the APR for 2020-21.



## 2.10 Carrying cost of regulatory assets

2.10.1 In paragraph 8.2.2 (b) of the Tariff Policy, the carrying cost of regulatory asset has been recommended. Relevant portion of Tariff Policy is reproduced below:

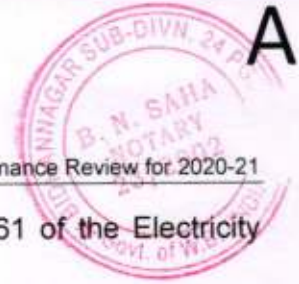
### ***"Tariff Policy***

*8.2.2. The facility of a regulatory asset has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as exception, and subject to the following guidelines:*

- a. The circumstances should be clearly defined through regulations and should only include natural causes or force majeure conditions. Under business-as-usual conditions, the opening balances of uncovered gap must be covered through transition financing arrangement or capital restructuring.*
- b. Carrying cost of Regulatory Asset should be allowed to the utilities;*
- c. Recovery of Regulatory Asset should be time-bound and within a period not exceeding three years at the most and preferably within the control period.*
- d. The use of the facility of Regulatory Asset should not be repetitive.*
- e. In cases where regulatory asset is proposed to be adopted, it should be ensured that the return on equity should not become unreasonably low in any year so that the capability of the licensee to borrow is not adversely affected."*

2.10.2 This provision is consistent to the Electricity Act 2003 on the ground that such cost is an entitled amount to WBSEDCL as a reasonable and





recoverable cost. The relevant part of the Section 61 of the Electricity Act 2003 is reproduced herein below:

*"61. The Appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the following namely: -*

*(d) Safeguarding of consumers interest and at the same time, recovery of the cost of electricity in a reasonable manner.*

*(i) The National Electricity Policy and tariff policy.*

2.10.3 For that the huge regulatory asset and the cost of financing such revenue shortfall in WBSEDCL's business also severely affects its credibility and thereby affects its ability to raise loans from financial institutions. WBSEDCL respectfully submits that the expenses incurred by it for the purpose of distribution of electricity are in the nature of pass-through costs. Such costs are required to be borne by the consumer as the cost for availing supply of electricity. The same cannot be allowed to be under-charged every year, in contrast to the spirit of cost reflective tariffs to be implemented as stipulated by Tariff Policy.

2.10.4 Moreover, in case no. OP NO. 1 of 2011 dated 11<sup>th</sup> Nov 2011, the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as the "Hon'ble APTEL") has also directed to pass the carrying cost of regulatory asset and such order has been accepted by all quarters. The relevant para of the OP No. 1 of 2011 is reproduced herein below:

*"65 (iv) In determination of ARR/tariff, the revenue gaps ought not to be left and Regulatory Asset should not be created as a matter of course except where it is justifiable, in accordance with the Tariff Policy and its Regulations. The recovery of the Regulatory Asset should be time bound and within a period not exceeding three years at the most and preferably within the Control Period. Carrying cost of Regulatory Asset*



*should be allowed to the utilities in the ARR of the year in which the Regulatory Assets are created to avoid problem of cash flow to the distribution licensee."*

2.10.5 Thus, in line with the Tariff Policy, Electricity Act 2003 and above referred order of the Hon'ble APTEL, the carrying cost is being claimed hereunder which shall be considered in the APR for the year 2020-21 so that WBSEDCL may carry out its business in a reasonable and efficient manner.

2.10.6 Hon'ble Commission vide Order against Case No. SM/-30/21-22 dated 06.04.2022 provides that interest on working capital assessed on normative basis at the rate one-year MCLR of SBI as on the 1<sup>st</sup> April of the year concerned year plus 350 basis points. Relevant portion of Tariff Policy is reproduced below:

*"Para 6.0 :.....tariff determination process the rate of interest for computation of interest of working capital, assessed on normative basis, shall be based on the One-Year Marginal Cost of Landing rate (MCLR) of the State Bank of India as on 1<sup>st</sup> April of the Year, proceeding for which the tariff proposed to be determined, plus 350 basis points, to be effective on and from 1<sup>st</sup> April 2016.....During APR for the concerned year interest on working capital will be allowed on the amount so assessed on normative basis, or the actual amount of interest paid, whichever is lower ."*

Accordingly, interest rate for computation of carrying cost of the regulatory assets for 2020-21 has shown below which may be considered in the APR.





Year	Weighted Average Interest Rate	Reference
2011-12	9.08%	As per APR Order 2011-12
2012-13	9.16%	As per APR Order 2012-13
2013-14	9.09%	As per audited annual accounts 2013-14
2014-15	10.91%	As per APR Order 2014-15
2015-16	10.16%	As per APR Order 2015-16
2016-17	8.53%	As per APR Order 2016-17
2017-18	8.34%	Computed as per Annual Accounts 2017-18
2018-19	8.62%	Computed as per Annual Accounts 2018-19
2019-20	8.39%	Computed as per Annual Accounts 2019-20
2020-21	7.44%	Computed as per Annual Accounts 2020-21

2.10.7 During computation of carrying cost WBSEDCL has considered the admitted amount as mentioned by Hon'ble Commission in different APR and Tariff Orders from time to time. Accordingly,

Computation of Carrying Cost of Regulatory Asset & Arrear Revenue (Amount in Rs. lakh)						
Sl. No	APR Year	Case No.	Issue date	Admitted / Application Amount	Carrying Cost Amount Claimed	Remarks
1	2011-12	APR - 35 / 12 - 13	09.09.2013	284	210	Carrying cost claimed for the period of 2012-13 to 2019-20 (8 years)
2	2012-13	APR - 38 / 13 - 14	12.06.2014	13,543	8,777	Carrying cost claimed for the period of 2013-14 to 2019-20 (7 years)
3	2013-14	APR - 46 / 14 - 15	14.07.2021	92,157	51,285	Carrying cost claimed for the period of 2014-15 to 2019-20 (6 years)
				44,699	17,294	Carrying cost claimed for the period of 2014-15 to 2017-18 (4 years)
				15,626	7,349	Carrying cost claimed for the period of 2014-15 to 2018-19 (5 years)
4	2014-15	APR - 52 / 15-16	03.11.2021	9,295	4,328	Carrying cost claimed for the period of 2015-16 to 2019-20 (5 years)



Computation of Carrying Cost of Regulatory Asset & Arrear Revenue (Amount in Rs. lakh)						
Sl. No	APR Year	Case No.	Issue date	Admitted /Application Amount	Carrying Cost Amount Claimed	Remarks
5	2015-16	APR – 55 / 16-17	03.02.2022	54,324	19,367	Carrying cost claimed for the period of 2016-17 to 2019-20 (4 years)
				1,13,655	50,054	Carrying cost claimed for the period of 2016-17 to 2020-21 (5 years)
6	2016-17	APR – 63 / 17-18	09.02.2022	67,986	23,034	Carrying cost claimed for the period of 2017-18 to 2020-21 (4 years)
7	2017-18	APR – 70 / 18-19	16.03.2022	57,113	14,478	Carrying cost claimed for the period of 2018-19 to 2020-21 (3 years)
8	2018-19	APR application for 2018-19 excluding Carrying Cost, LPSC of WBPDC & Addition to SD		41,305	7,026	Carrying cost claimed for the period of 2019-20 to 2020-21 (2 years)
9	2019-20	APR application for 2019-20 excluding Carrying Cost, LPSC of WBPDC & Addition to SD		1,58,297	13,281	Carrying cost claimed for the period of 2020-21 (1 year)
Total:				6,68,284	2,16,482	

2.10.8 The said quantum of carrying cost may vary after issue of order by APTEL on the Appeal filed by WBSEDCL against the relevant orders of WBERC or on the basis of order of any other competent court/forum subsequent to the order of APTEL. WBSEDCL will claim the carrying cost for additional amount, if any, in future APR applications after getting the judgement of APTEL/ WBERC against the appeal of WBSEDCL in this respect for the consideration of Hon'ble Commission in future.

2.10.9 Total carrying cost against regulatory asset and arrear amount becomes Rs. 2,16,482 lakhs. The computation of such carrying cost has been

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done for the year 2020-21 is enclosed as Annexure-IV of Volume-I of this APR Application

2.10.10 Thus, WBSEDCL requested Hon'ble Commission to consider such carrying cost amounting to Rs. 2,16,482 lakhs in 2020-21 in the APR for 2020-21 as these are uncontrollable in nature.

## 2.11 Expenditure for Rates and Taxes

2.11.1 Comparison of actual expenditure for Rates and Taxes for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 9: Rates and Taxes for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Rates and Taxes for Generation	682.00	492	Note 38 'Other Expenses' of the Audited Annual Accounts of 2020-21 and Form E of Vol-I in the APR Application
Rates and Taxes for Distribution	9,717.34	17,996	
<b>Total</b>	<b>10,399.34</b>	<b>18,488</b>	

2.11.2 As per the Audited Annual Accounts of 2020-21, the expenditure for Rates and Taxes in 2020-21 is Rs. 18,488 lakhs. Such expenditure includes GST paid on outsourcing employee expenses and O&M expenses as shown below in the head wise GST and Other Statutory Tax break-up. Such GST/ Other Statutory tax is paid by WBSEDCL to the Government as per rates notified by the Government. Hence, Rates and Taxes is an uncontrollable expense for WBSEDCL.



Table 10: Rates and Taxes for 2020-21

Rs. Lakh

Expenditure & GST		
A) Outsourced Jobs: Manpower Related	2020-21	
	Expenditure (Excluding GST)	GST/Municipal & Other Taxes.
Meter Reading & Bill Distribution	14,455	2,602
Sub-Station Maintenance	3,360	605
Generating Station Maintenance	1,656	298
Line Maintenance (includes expenses for Vehicle)	18,275	3,290
Collection Franchisee	1,229	221
Security Expenses	5,108	919
Call Center Expenses in line with ZRC & CRC as per SOP regulation	2,844	512
Back-office Job	237	43
Communication Systems (Lease Rental)	766	138
Mobile Maintenance Service (includes expenses for Vehicle)	18,765	3,378
Complain Management Mechanism	356	64
<b>Total Outsourced Jobs</b>	<b>67,051</b>	<b>12,070</b>
<b>B) Repair &amp; Maintenance Expenses</b>	<b>22,062</b>	<b>3,971</b>
<b>C) Administrative &amp; General Expenses:</b>		
Rent	1,407	253
Insurance	865	156
Other Administrative & General Expenses:	12,529	1,830
<b>Total</b>	<b>14,801</b>	<b>2,239</b>
<b>D) Employee Cost</b>	<b>253</b>	<b>45</b>
<b>Total GST (A+B+C+D)</b>	<b>1,04,167</b>	<b>18,325</b>
<b>E) Other Taxes Paid (Municipal Tax, Panchayat Tax, Water Tax, Property Tax etc.)</b>		<b>163</b>
<b>Grand Total (A+B+C+D+E)</b>	<b>1,04,330</b>	<b>18,488</b>

GST – Rs.18,325 lakhs + Other Taxes Rs. 163 lakhs = 18,488 lakhs

- 2.11.3 WBSEDCL in its Tariff Petition for 2020-21 projected Rates and Taxes as Rs. 20,762 lakhs based on the following approach:





Quote from WBSEDCL MYT Tariff Petition for 7<sup>th</sup> Control Period, para-no. 6.2:

*"To provide services for keeping 24x7 power supply to large number of the consumers located in vast network area of WBSEDCL, the number of office establishments, i.e., Customer Care Centre and Divisional Manager Office have been accordingly increased. Tax on the existing establishments has also been revised / increased by civic bodies from time to time."*

*"Rates and Taxes also include tax which is paid on different goods and services like staff welfare expenses, outsourced activity, repair and maintenance expenses, administrative and general expenses etc. and tax is paid as per rate notified by the Government of India. Such expense on account of rates and taxes is uncontrollable in the hands of WBSEDCL"*

2.11.4 The Hon'ble Commission in the Tariff Order for 7<sup>th</sup> control Period inappropriately projected the Rates and Taxes for 2020-21 by considering such Rates and Taxes to be dependent on distribution line length and applying a degree of sensitivity of Rates and Taxes expenditure to distribution line length. Further, an annual escalation rate for the ensuing year was applied based on an empirical formula. WBSEDCL submits that such Rates and Taxes are actually determined as per rates fixed by the government based on the nature of the services provided and cannot be assumed to be sensitive only to distribution line length. Instead of applying empirical formulas that do not reflect the true / actual scenario, the Hon'ble Commission should evaluate merit of the case keeping in consideration the uncontrollable nature of Rates and Taxes. WBSEDCL has filed an Appeal before Hon'ble WBERC on 27.03.2019 in terms of Order dated 18.02.2019 of APTEL judgement in

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Appeal No. 215 of 2015 against the order issued by WBERC dated 04.03.2015 passed in TP-61/ 13-14. In the said Appeal, WBSEDCL has made submission against WBERC's adoption of arbitrary methodology for expense projection. The above matter is still sub judice under the WBERC. Hence, WBSEDCL now maintains its stand against Hon'ble Commission's empirical projection methodology and requests the Hon'ble Commission to allow the entire claimed amount of Rates and Taxes for 2020-21, as this is an uncontrollable expense.

- 2.11.5 In view of the above, Rates and Taxes of Rs. 18,488 lakhs paid by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as the expenditure for Rates and Taxes in the APR for 2020-21, the expenditure being uncontrollable in nature.

## 2.12 Interest on capital borrowings

- 2.12.1 Comparison of actual interest on capital borrowings (net of capitalization) for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

Table 11: Interest on borrowings for 2020-21

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Interest on capital borrowing	51,519.68	54,902	Note No. 36(A)(I) of Annual Accounts

- 2.12.2 WBSEDCL has borrowed from REC Ltd., PFC Ltd., and other financial institutions to carry out capital works that include upgradation and strengthening works of the sub-transmission and distribution systems of WBSEDCL. Such capital borrowings have been made for system improvement and network expansion for the purpose of meeting the





needs of the ever-increasing consumer base. WBSEDCL has paid interest to the lenders on account of such borrowings as per different applicable interest rates for different loans. Such interest rates are fixed by the lenders, and WBSEDCL does not have any control on the same. Relevant documents of outstanding Govt. loan as on 31.03.2021 has enclosed with Annexure-VI of Volume-I.

2.12.3 As per the Audited Annual Accounts of 2020-21, the interest on capital borrowings (net of capitalization) in 2020-21 is Rs. 54,902 lakhs, the detail of respective loans and interest on capital borrowing there on has been submitted in Form-C in Vol-I with the APR Application.

2.12.4 In the light of above, such amount of Rs. 54,902 lakhs paid by WBSEDCL in 2020-21 as the interest on capital borrowings may be admitted by the Hon'ble Commission in the APR for 2020-21, the expenditure being uncontrollable in nature.

## 2.13 Other finance charges

2.13.1 Comparison of actual expenses under head 'Other finance charges' for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

Table 12: Other finance charges for 2020-21

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Other finance charges	1,415	1,493	Note No. 36(B) of Annual Accounts

2.13.2 As per the Audited Annual Accounts of 2020-21, Other finance charges in 2020-21 Rs. 1,493 lakhs for Bank charges. The bank charges include collection charges borne by WBSEDCL in the events of payments made by the consumers and contractors through e-payment viz. RTGS and



NEFT mode, and cash deposits by the Customer Care Centers (CCC) at non-home branches. The bank charges also include bank commission, brokerage, guarantee fees, LC charges, commitment charges, service fee, stamp duty fee etc. Hence, such bank charges are uncontrollable in nature.

### 2.13.3 Impact of Ind AS

2.13.3.1 The financial statements for the year 2016-17 are the first financial statements of WBSEDCL under Ind AS. Also, in the Annual Accounts of 2016-17, an opening Ind AS balance sheet at 01.04.2015 (the Company's date of transition) was provided, and financial statements for 2015-16 were recast as per Ind AS.

2.13.3.2 In accordance to Impact of Ind AS, WBSEDCL's has mentioned in APR Application 2017-18 in Para 2.13.8 that *"the relevant balance portions of the net financial impact will be amortized in the future financial statements of WBSEDCL as per provisions of Ind AS. Accordingly, adjustments will be considered in the APR Applications for the respective future years."*

2.13.3.3 In accordance to Impact of Ind AS, WBSEDCL's has mentioned in MYT petition of 7<sup>th</sup> control period as:

*Quote from WBSEDCL's Tariff Petition for 7<sup>th</sup> control period:*

*"Para 6.0 (a) In compliance of para 1.2.1 (iii) of WBERC MYT Regulations, 2011, the financial statements of WBSEDCL have been prepared to comply in all material aspects with Indian Accounting Standards (Ind AS) as notified under section 133 of the companies' act, 2013 (The Act) (Companies (Indian Accounting Standards) Rules, 2015 And Companies (Indian Accounting Standards) Amendment Rules, 2016 and other relevant provisions of the act."*





"In Para 6.9 (b) of MYT petition 2020-21: As per requirement of Ind AS, all financial liabilities are required to be recognized at fair value. Accordingly, the company has recognized liability for purchase of power, and liability for capital supplies/ works at their fair value using amortized cost or effective interest rate. The resultant interest expense/ income is recognized in profit or loss account under Other Finance Charge".

In Para 6.9 (c) of MYT petition 2020-21: Further, under previous GAAP, transaction costs incurred towards origination of borrowings were charged to profit or loss as and when incurred. Under Ind AS 109, transaction costs incurred towards origination of borrowings are required to be deducted from the carrying amount of borrowings on initial recognition. These costs are recognized in the profit or loss over the tenure of the borrowing as part of the interest expense by applying the effective interest rate method".

"Para 10.1..... As per requirement of Ind AS, the amortization value on Capital Grant and Subsidies (earlier recognized as a deduction from depreciation (under GAAP), has been recognized as income under the head 'other income' in accounts of 2019-20, 2016-17 and 2017-18. Such amortization will be passed on to consumer through 'other income', this amount has not been reduced from total depreciation of the year. This holds good in the projection made for the ensuing years of the control period."

"Similarly, Re-measurement of post- employment benefit obligations earlier recognized as a deduction from Employee expense (under GAAP), has been recognized as income under the head 'Other comprehensive income' since in accounts of 2016-17, 2017-18 and 2019-20. Under Ind AS 19, re-measurements of actuarial gains and losses and the return on plan assets of the Trust funds, (excluding



amounts included in the net interest expense on the net defined benefit liability) are recognized in other comprehensive income instead of profit or loss”

2.13.3.4 In view of the above and as per the Audited Annual Accounts for 2020-21, the net impact of 'Ind AS', as considered in this APR Application for 2020-21 is shown in the following table. As can be seen in the following table, additional notional interest incomes of Rs. 2,343 lakhs have been recognized in WBSEDCL's Audited Accounts for 2020-21 because of fair valuation of additional liability for purchase of power and liability for capital supplies/ works respectively using amortized cost or effective interest rate and Rs. 17 Lakhs, Rs. 619 lakhs, 2,585 lakhs have been considered as Transaction Cost on capital bonds, Interest expense on liability for Purchase of Power, Interest expense on liability for Capital supplies/ works respectively.

**Table 13: Impact of Ind AS on 20-21 (considered in this APR Application for 20-21)**

Rs. Lakh			
Sl. No.	Particulars	Impact	Reference
1	Transaction Cost on capital bonds	17	Note No. 36 of Annual Accounts
2	Interest expense on liability for Purchase of Power	619	
3	Interest expense on liability for Capital supplies/ works	2,585	
4	Less: Interest accrued on non-current Power Purchase liability	0	Note No. 33 of Annual Accounts
5	Less: Interest accrued on non-current Capital Liability	-2,343	
	<b>Total impact</b>	<b>878</b>	

2.13.3.5 Hence, Rs. 878 lakhs are also considered as 'Other finance charges' in this APR Application. Relevant balance portions of the net financial impact will be amortized in the future financial statements of

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WBSEDCL





WBSEDCL as per provisions of Ind AS. Accordingly, adjustments will be considered in the APR Applications for the respective years.

- 2.13.4 Hence, total 'Other finance charges' post adoption of Ind AS is Rs. 2,371 lakhs (=Rs. 1,493 lakhs + Rs. 878 lakhs) as follows:

**Table 14: Total other finance charges for 2020-21**

Particulars	Rs. Lakh	
	2020-21 (Admitted)	2020-21 (Actual)
Other finance charges (excluding impact of Ind AS)	1,415	1,493
Impact of Ind AS on Other finance charges	0	878
<b>Total other finance charges (including effects of adoption of Ind AS)</b>	<b>1,415</b>	<b>2,371</b>

- 2.13.5 Considering the above submission and due to the fact, that 'Other finance charges' are uncontrollable in nature, the other finance charges of Rs. 2,371 lakhs incurred by WBSEDCL in 2020-21 claimed as the other finance charges in the APR for 2020-21.

## 2.14 Depreciation

- 2.14.1 Comparison of actual depreciation for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 15: Depreciation for 2020-21**

Particulars	Rs. Lakh	
	2020-21 (Admitted)	2020-21 (Actual)
Depreciation for Generation	5,317.03	8,943
Depreciation for Distribution	36,934.29	36,409
<b>Total Depreciation</b>	<b>42,251.32</b>	<b>45,352</b>

- 2.14.2 As per the Audited Annual Accounts of 2020-21, depreciation in 2020-21 is Rs. 1,08,469 lakhs.



- 2.14.3 As per methodology adopted in the Tariff Order issued by Hon'ble Commission for 7<sup>th</sup> Control Period in 6.7.3 & 6.7.4 and directed as "6.7.5 WBSEDCL is directed to submit APR Petition in accordance with consideration of depreciable asset as admitted in this Tariff Order....", depreciation has computed after adjustment of depreciation for the Government grants (Rs. 59,670 lakhs), Retirement of assets (Rs. 2002 lakhs), Intangible assets (Rs. 1405 lakhs) and Leasehold land (Rs. 40 lakhs) (Refer Form B of Vol-I in the APR Application)
- 2.14.4 After removing the impact as directed by Commission in the tariff order, net depreciation amounts to Rs.45,352 lakhs.

**Table 16: Depreciation for 2020-21 (As claimed by WBSEDEL)****Rs. Lakh**

Particulars	2020-21 (Admitted)	2020-21 (Actual)	Reference
Actual Depreciation		1,08,469	Note 36 of Audited Annual Accounts
Less depreciation on Retired Assets	42251.32	2,002	Form B of Vol-I in the APR Application
Less depreciation on Intangible Assets		1,405	
Less amortisation of Leasehold Land		40	
Less depreciation of Government Grant		59,670	
<b>Depreciation (claimed by WBSEDCL)</b>	<b>42,251.32</b>	<b>45,352</b>	

- 2.14.5 In consideration of the above, depreciation of Rs. 45,352 lakhs in 2020-21 may be considered by the Hon'ble Commission as Depreciation in the APR for 2020-21. Detailed calculation of gross depreciation is provided in Form B of Annexure-I in Volume-I this APR Application.

## 2.15 Interest on Working Capital

- 2.15.1 As per the Tariff Regulations, Working Capital of WBSEDCL for the year 2020-21 has been computed in the Form 1.17(b) of Annexure-I of Volume-I of this APR Application and such Working Capital for 2020-21

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is Rs. 2,03,340 lakhs. Hence, Interest on Working Capital Rs.15,127 lakhs for the year 2020-21 incurred by WBSEDCL may be considered by the Hon'ble Commission as the Interest on Working Capital in the APR for 2020-21.

## **2.16 Interest on COVID Loan and Loan for AAMPHAN restoration work**

2.16.1 During AAMPHAN, distribution infrastructure spread over wide area of West Bengal has been seriously damaged. To overcome the situation and restoration of power supply across the network, WBSEDCL have to proceed for additional loan for AAMPHAN restoration works. Interest of such loan accounted as Rs. 1,538 lakhs (refer Note. 36.3 of audited annual accounts).

In this respect WBSEDCL has already submitted an application vide Momo no. REG/SERC/131 dated 14<sup>th</sup> June 2021, requesting to pass as appropriate order to allow the interest on working capital spent towards funding the project 'Restoration works due to severe cyclonic storm AMPHAN' additionally over the normative amount approved for working capital during determination of APR for 2020-21 and 2021-22.

Also, in the circumstances, further to state that WBSEDCL like other power companies have faced severe challenge to keep power supply un-affected during the prolong Lock-Down period due to COVID 19.

WBSEDCL has suffered a reduction in Revenue collection from Rs. 22,158 Crore in the period from 01.04.2019 to 31.03.2020 to Rs. 20,771 Crore during the period from 01.04.2020 to 31.03.2021, i.e., a reduction in revenue collection by Rs. 1,387 crores during the financial year ended 31.03.2021. In order to match the gap WBSEDCL has drawn Rs.226.84 Crore from Power Finance Corporation (PFC) Ltd. Rs.227.24 Crore from



Rural Electrification Corporation (REC) and Rs. 298 Crores from Scheduled Commercial Banks respectively, as Covid Loan. Loans from PFC & REC are in the form of special long term transition loan for clearing overdue of CPSU Genco/Transco. "Application for prayer of allowing additional working capital requirement to meet the revenue gap owing to poor revenue collection due to Covid 19 pandemic" indicating details of COVID loan drawn from various scheduled commercial banks the has been submitted to Hon'ble Commission vide letter no. REG/SERC/169 dated 09.06.2022. As such, interest of loan on account of COVID 19 accounted as Rs. 3,601 lakhs (refer Note. 36.3 of audited annual accounts). In this regard, COVID Rebate has been availed by the WBSEDCL and the same shall be passed on to the consumers through Annual Performance Review (APR) for FY -2020-21.

Accordingly, additional interest on account of COVID loan and AMPHAN loan computed as Rs. 5,139 lakhs for the year 2020-21 incurred by WBSEDCL may be considered by the Hon'ble Commission as the Interest on COVID loan and AMPHAN restoration work in the APR for 2020-21.

## 2.17 Employee cost

- 2.17.1 Comparison of actual employee cost for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 17: Employee cost for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Total employee cost	1,17,591	1,74,801	Note No. 35 of the Audited Annual Accounts and Form 1.17h of Annexure-I in Volume-I

Rs. Lakh

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- 2.17.2 As per the Audited Annual Accounts of 2020-21, the actual employee cost (net of capitalization, excluding service tax/ GST on staff welfare expenses, including 'Director's Sitting Fees' and 'Compensation injuries on death/damages – staff) incurred by WBSEDCL in 2020-21 is Rs. 1,74,801 lakhs. Break-up of the employee cost is provided in Form 1.17h of Annexure-I in Volume-I of this APR Application.
- 2.17.3 Total employee cost includes cost of employees deputed in WBSEDCL from DPL during 2020-21 of Rs.1,922 lakhs consisting of salaries and terminal benefits. (Refer 35.4 of the Audited Annual Accounts for 2020-21).
- 2.17.4 Employee cost capitalization of Rs. 5,197 lakhs have been reduced during the computation of employee cost for the year 2020-21 on employee cost capitalization.
- 2.17.5 The "Other Comprehensive Income (OCI)" related to employee cost for 2020-21 as per Note 42 of the Audited Annual Accounts is Rs.26,029 lakhs. As per Note. 33 of Audited Annual Accounts 2020-21 'Other Provision Written Back' is Rs. 170 lakhs which is related to provision for arrear payment made during earlier years. Such OCI & 'Other Provision Written Back' has not been considered in the "Income other than sale of Energy" head in Form 1.26 of Data Sheet. On adjustment of such OCI & 'Other Provision Written Back' in the ratio of employee cost as per para 2.16.1 above the net claim under employee cost head comes to Rs. 1,48,602 lakhs as shown below:

Rs. Lakh

Employee Cost after adjustment of OCI and Other Provision Written Back			
Particulars	Generation	Distribution	Total
Employee Cost as per 1.17h	4,771	1,70,030	1,74,801
Less Allocated OCI	707	25,322	26,029
Less Other Provision Written Back	5	165	170
<b>Net Claim under Employee Cost</b>	<b>4,056</b>	<b>1,44,546</b>	<b>1,48,602</b>

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- 2.17.6 So, considering the above impact the actual employee cost of Rs.1,48,602 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as employee cost in the APR for 2020-21.

## 2.18 Operation and Maintenance expenses for generation

- 2.18.1 Comparison of claimed Operation and Maintenance expenses (hereinafter referred to as "O&M expenses") for generation business for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 18: O&M expenses for generation for 2020-21**

Particulars	Rs. Lakh	
	2020-21 (Admitted)	2020-21 (Actual)
O&M expenses for Generation	5,465	5,465

- 2.18.2 WBSEDCL has appointed contractor for Design & Engineering, Manufacturing / Procurement, Supply, Installation, Testing & Commissioning and five (5) years' Comprehensive O&M of the 10 MW Teesta Canal Bank Solar PV Plant. After final commissioning of the above plant, WBSEDCL as per LOA terms has first taken over the plant from the appointed contractor and then handed over the plant to the contractor on 11.03.2017 for comprehensive O&M for five (5) years. WBSEDCL pays O&M fee to the contractor for such comprehensive O&M as per the contractual price schedule. However, such O&M payment made by WBSEDCL for 2020-21 is not claimed in this APR Application, as the expense is not borne by WBSEDCL, and the O&M payment is made from the grant fund dedicated for this solar plant. The grant fund covers comprehensive O&M expenses for five (5) years from the date of handover of the plant. After completion of five (5) years, i.e.,

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after 10.03.2022, WBSEDCL will have to incur O&M expense for the Teesta Canal Bank Solar PV Plant.

- 2.18.3 The Hon'ble Commission in the Tariff Order for 2020-21 has admitted Rs. 5,465 lakhs as the total O&M expenses for Rammam, Jaldhaka, Small Hydro, and PPSP power plants. So, WBSEDCL has no further claim as generation O&M expenses in the APR for 2020-21.

## 2.19 Operation & Maintenance expenses and Outsourcing expenses for distribution

- 2.19.1 Operation & Maintenance (O&M) expenses for distribution consists of Repair and Maintenance expenses (hereinafter referred to as "R&M expenses") for distribution and Administrative and General expenses (hereinafter referred to as "A&G expenses") for distribution. Comparison of actual R&M expenses, A&G expenses, and Outsourcing expenses for distribution business for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 19: R&M, A&G, and Outsourcing expenses for distribution for 2020-21**

Rs. Lakh

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
R&M expenses for distribution	31,244.00	20,991	Note 38A, 38B and 38C of Annual Accounts and Auditor Certificate in Annex-5 of Vol-II
A&G expenses for distribution	15,068.86	11,988	
Outsourcing expenses for distribution	62,385.78	64,273	
<b>Total</b>	<b>1,08,698.64</b>	<b>97,252</b>	



- 2.19.2 The actual R&M expense, A&G expense, and Outsourcing expense for WBSEDCL's distribution business in 2020-21 is Rs. 97,252 lakhs including R&M expenses for distribution Rs. 20,991 lakhs, A&G expenses excluding Rate & Taxes and Insurance Rs. 11,988 lakhs and Outsourced jobs – Manpower related excluding lease rental and complaint management expenses Rs. 64,273 lakhs (as per segment break-up of auditor's certificate for Note 38 and Form E in Annexure-I of Vol-I in the APR application).
- 2.19.3 WBSEDCL supplies electricity to around 2.08 crore consumers spread across almost the entire area of the state of West Bengal during prolong Lock down period of COVID 19 when the operation of commercial & industrial establishments faced severe restriction. In such adverse situation due to Lock down and Amphan, the employees of WBSEDCL served the consumers providing all sorts of consumer services.
- 2.19.4 WBSEDCL undertakes repair and maintenance activities to maintain its ever-growing network and to ensure network reliability and to comply with the SOP Regulations. Further, the areas served by WBSEDCL includes remote areas such as the island of Sundarban in South 24 Parganas, jungle areas of Paschim Midnapore / Purulia / Bankura, hilly areas of Darjeeling, etc., where the geographical characteristics results in challenges in carrying out repair and maintenance works.
- 2.19.5 WBSEDCL has outsourced activities in areas like HT & LT line maintenance, O&M of 33/11 KV substations, meter reading and bill distribution, collection, call center, security, etc. with respect to the distribution business to ensure quality power supply and customer service.
- 2.19.6 In addition, WBSEDCL incurs A&G expenses to provide necessary administrative support that are needed to facilitate execution of repair





and maintenance works across the entire command areas of WBSEDCL.

2.19.7 All the aforementioned types of expenses are linked to the core distribution activities of WBSEDCL. The outsourced activities are of the same nature as the R&M and A&G activities. Hence the outsourcing expenditure is considered along-with the distribution O&M expenses for justification purpose in this APR Application. Sum of the actual O&M and Outsourcing expenses for distribution function of WBSEDCL for 2020-21 is Rs. 97,252 lakhs

2.19.8 The total O&M and outsourcing expenditure for distribution activities has decreased from 2019-20 to 2020-21. A comparison is shown in the table below.

**Table 20: Comparison of distribution O&M and outsourcing expenses for 2019-20 and 2020-21**

Particulars	2019-20	2020-21
	(Rs. In Lakh)	(Rs. In Lakh)
R&M expenses for distribution	23,718	20,991
A&G expenses for distribution	14,023	11,988
Outsourcing expenses for distribution	60,100	64,273
<b>Total O&amp;M and outsourcing expenses for distribution</b>	<b>97,841</b>	<b>97,252</b>

Overall O&M and outsourcing expenses decreased in 2020-21 with respect to 2019-20 around 0.60%, amounting to Rs. 589 lakhs.

2.19.9 Hon'ble Commission has admitted the amount of R&M expenses and A&G expenses for 2020-21 as claimed by WBSEDCL in the MYT petition for 7<sup>th</sup> control period.

2.19.10 In spite of adverse situation faced during 2020-21 as stated above and massive damage of distribution system during Amphan, overall R&M expenses for distribution has reduced during 2020-21 comparison to

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2019-20 though network & consumer has increased. WBSEDCL has reduced around 33% of R&M expenses as admitted by Hon'ble Commission for the year 2020-21 amounting to Rs. 10,253 lakhs.

2.19.11 Also, WBSEDCL has reduced around 20% of A&G expenses as admitted by Hon'ble Commission for the year 2020-21 amounting to Rs. 3081 lakhs.

2.19.12 Actual outsourcing expenses has increased around 3% compared to the admitted expenditure in the tariff order 2020-21. Reason behind increase in Outsourcing expenses:

- WBSEDCL has created 8 numbers additional customer care center (CCC) in 2020-21 to improve the quality service to the consumers. (Refer Auditor's Certificate in Annexure 16A of Vol-II in this tariff application). WBSEDCL has introduced new services engaged by outsourced agencies in newly created 8 Nos. CCC, such as HT & LT mobile maintenance services, security services, O&M of system, back-office support for customer service etc. in order to service the increased activities of the consumers following SOP Regulations issued by the Hon'ble Commission. Besides WBSEDCL has also strengthen the existing services in order to fulfill requirement of large consumer strength and improve consumer services under the circumstances of large increase in distribution network and consumer strength.
- WBSEDCL has introduced 40 numbers of additional vehicles in 2020-21 for HT and LT mobile maintenance services throughout the network to ensure the services towards consumers (Refer Auditor's Certificate in Annexure 16A of Vol-II in this tariff application).





- WBSEDCL has commissioned 3 numbers additional 33/11 KV substation in 2020-21 operated through outsourced manpower to improve the quality service to the consumers. (Refer Auditor Certificate 10A in Vol-II of this APR Application)

Additional outsourced manpower for operation and security personnel are engaged for these new CCC and 33 KV Sub-station during 2020-21.

- WBSEDCL has reduced the average cost of spot billing from Rs. 16.50/ bill to Rs. 15.41/bill, which is around (6.61) % decrease in 2020-21 compared to 2019-20. (Relevant contracts has enclosed in Appendix-III in this APR application)
- Following are the comparison of outsourced manpower for 2019-20 & 2020-21:

**Table 21: Comparison of outsourced manpower increased in 2020-21**

Area of Operation	Outsourced Manpower		
	2019-20	2020-21	Increase in 2020-21
LT (Mobile Maintenance) (including Supervisor)	8030	8459	429
HT (Mobile Maintenance) (including Supervisor)	9169	9551	382
Sub Station (O&M)	1764	1876	112
Security Personnel	2688	3022	334
Call Centre (ZCC & CFO)	1576	1576	0
Meter Reading & Bill Distribution (Spot Billing)	5223	5700	477
Collection Franchisee (Kiosk Operation)	759	759	0
<b>Total</b>	<b>29209</b>	<b>30943</b>	<b>1734</b>

Overall increase of outsourced manpower in 2020-21 with respect to 2019-20 is 6%

- From the above table it has shown that WBSEDCL has engaged additional 1734 manpower under different categories to ensure



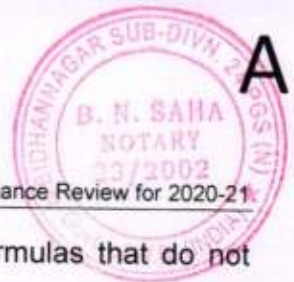
quality services towards consumers. (Refer Auditor's Certificate in Annexure 13A of Vol-II in this APR application).

- To execute the services, WBSEDCL has engaged manpower through outsourced agencies as a cost-efficient alternative. Contractual rates of outsourced manpower for HT and LT line maintenance, Substation O&M, and Call Centre are determined based on the minimum wages as notified by the Government of West Bengal from time to time (please refer Appendix-III: Copies of Rate Revision Orders for Outsourcing Contracts). Outsourced manpower is deployed for security, spot billing, and bill collection, contractual rates for which are fixed through competitive bidding. From the revised rate contracts, it has shown that daily wages have increased from time-to-time as per Government notification, causing increase of outsourced manpower cost.

2.19.13 The Hon'ble Commission in the Tariff Order for 2020-21 projected the O&M expense and Outsourcing expenses for 2020-21 considering such expenses to be dependent on distribution line length and consumer strength and applying a degree of sensitivity of these expenses to distribution line length and consumer strength applying empirical projection methodology adopted by WBERC in its Tariff Order for 2014-15 to 2016-17 dated 4.3.2015 which has challenged by WBSEDCL in APTEL. Further, an annual escalation rate for the ensuing year was applied based on an empirical formula.

WBSEDCL submits that such expenses depend upon many other factors like geographic profile & spread of the area of supply, consumer base, age of assets, market demand-supply conditions, damages caused by natural disaster, government policies and orders, etc., and cannot be assumed sensitive only to distribution line length and





consumer strength. Instead of applying empirical formulas that do not reflect the true / actual scenario, the Hon'ble Commission should evaluate merit of the case keeping in consideration the uncontrollable factors that influence these expenses.

- 2.19.14 The Hon'ble Commission issued the Tariff Order for 2020-21 on 28.03.22, so there is no scope for WBSEDCL to control the additional expenses because actual control period was already over at that time.
- 2.19.15 In Order dated 18.02.2019 of APTEL judgement in Appeal No. 215 of 2015 against the order issued by WBERC dated 04.03.2015 passed in TP-61/ 13-14, Ld. Senior counsel of Hon'ble WBERC submitted before Hon'ble APTEL that the appeal may be disposed of reserving liberty to appellant (WBSEDCL) to file necessary petition for redressing their grievances. Accordingly, WBSEDCL has filed an Appeal before Hon'ble WBERC on 27.03.2019. In the said Appeal, WBSEDCL has made submission against WBERC's adoption of arbitrary methodology for expense projection. The above matter is still sub judice under the WBERC. Hence, WBSEDCL now maintains its stand against Hon'ble Commission's empirical projection methodology and requests the Hon'ble Commission to allow the entire claimed amount of Outsourcing expenses for 2020-21.
- 2.19.16 However, WBSEDCL has overall reduced 10.53% of the 'Outsourcing Expenses for Distribution Business' amounting to Rs. 11447 lakhs with respect to the admitted cost of Hon'ble Commission for the year 2020-21.
- 2.19.17 In view of the above, the R&M, A&G and Outsourcing expenses of Rs. 20,991 lakhs, Rs.11,988 lakhs, and Rs. 64,273 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission



as the R&M expenses, A&G expenses, and Outsourcing expenses for distribution in the APR for 2020-21.

## 2.20 Expenditure for Complaint Management Mechanism

2.20.1 Comparison of actual expenditure for Complaint Management Mechanism for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 22: Complaint Management Mechanism expenditure for 2020-21**

Rs. Lakh

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Complaint Management Mechanism expenditure	341.98	356	Note No. 38(A) of the Audited Annual Accounts

- 2.20.2 Expenditure for complaint management mechanism includes expenses associated with toll free telephone for registering grievances at ZCC-s, SMS charges for forwarding grievances to mobile vans, rental charges of Interactive Voice Response System (hereinafter referred to as "IVRS"), separate telephone facility at each CCC, and anti-theft toll free telephone facility.
- 2.20.3 As per Audited Annual Accounts of WBSEDCL for 2020-21, the expenditure for Complaint Management Mechanism in 2020-21 is Rs. 356 lakhs even after massive damage of distribution system during Amphan
- 2.20.4 Thus, The actual expenditure for Complaint Management Mechanism of Rs. 356 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as the expenditure for Complaint Management Mechanism in the APR for 2020-21.

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## 2.21 Expenditure for lease rental line

- 2.21.1 Comparison of actual expenditure for lease rental line for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

Table 23: Lease rental line expenditure for 2020-21

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Lease rental line expenditure	1,816	766	Note No. 38(A) of the Audited Annual Accounts

Rs. Lakh

- 2.21.2 As part of setting up the Complaint Management Mechanism as per requirement of the SOP Regulations, WBSEDCL has been utilizing the Multiprotocol Label Switching (MPLS) Virtual Private Network (VPN) connectivity for establishing and maintaining the communication network. Telecom operators receive charges from WBSEDCL for providing the connectivity, and these charges are recognized under the head 'Lease rental line expenditure'.
- 2.21.3 As per general practice since inception of ERP system the service was being accepted at the end of financial year after downtime calculation which is a time-consuming process. The downtime calculation and service verification took additional efforts along with the requirement for compliance and resultant in overlapping of service verification during the year 2020-21 and 2021-22.

During prolong Lock down period during COVID 19 & restriction imposed on manpower attending other than emergency services, the adjustment of lease line bill after down time reconciliation could be completed in 2021-22. Thus, lease line expenditure has reduced sharply in 2020-21 & the same expenditure has increased in 2021-22. Hence

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this expenditure may be considered for both year 2020-21 & 2021-22 overall w.r.t admitted value.

- 2.21.4 Accordingly, as per Audited Annual Accounts of WBSEDCL for 2020-21, the expenditure for lease rental line in 2020-21 is Rs. 766 lakhs.
- 2.21.5 In view of above, the actual lease rental line expenditure for maintaining the MPLS VPN connectivity of Rs. 766 lakhs incurred by WBSEDCL in 2020-21 as the expenditure for lease rental line claimed by WBSEDCL in the APR for 2020-21.

## 2.22 Expenditure for Insurance

- 2.22.1 Comparison of actual expenditure for Insurance for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for 2020-21 is shown in the following table.

**Table 24: Insurance expenditure for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Insurance expenditure	1,151	865	Note No. 38(C) of the Audited Annual Accounts

- 2.22.2 As per the Audited Annual Accounts of 2020-21, the expenditure for insurance in 2020-21 is Rs. 865 lakhs.
- 2.22.3 In view of above, the actual Insurance expenditure of Rs. 865 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as the expenditure for Insurance expenses in the APR for 2020-21.
- 2.23 Comparison of total Operation and Maintenance Expenses as admitted by the Hon'ble Commission in Para 6.4.1, 6.4.2, 6.4.3, 6.4.4, 6.5, 6.6 of Tariff Order for 2020-21 against the actual expenses for the





corresponding heads as incurred by WBSEDCL in 2020-21 is shown in the following table.

**Table 25: Total Operation and Maintenance Expenses for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Operation & Maintenance for Generation	5,465	5,465	Note 38 (A), 38 (B) & 38 (C) of the Audited Annual Accounts auditor's certificate for Note 38 and Form E in Annexure-II of Vol-I in the APR application
Operation & Maintenance for Distribution	44,269	32,979	
Outsourcing expenses for Distribution	62,386	64,273	
Lease Rental Line	1,816	766	
Complaint Management Mechanism	341.98	356	
Insurance	1,151	865	
Rates & Taxes for Generation	682	492	
Rates & Taxes for Distribution	9,717	17,996	
<b>Total</b>	<b>1,25,827.84</b>	<b>1,23,192</b>	

- 2.24 From the above table it can be seen that the actual total Operation and Maintenance Expense of Rs.1,23,192 lakhs are lower than Rs. 1,25,827.84 lakhs as admitted by the Hon'ble Commission in the Tariff Order for 2020-21. In view of this, the said actual expense of Rs. Rs.1,23,192 lakhs may be considered by the Hon'ble Commission in the APR for 2020-21.

## 2.25 Bad debt

- 2.25.1 The Hon'ble Commission in the Tariff Order for 7<sup>th</sup> control period did not consider any amount under the head bad debt for 2020-21. Bad debt actually has been written off during 2020-21 is Rs. 10,044 lakhs as per the Audited Annual Accounts 2020-21. (Refer Note 38(D)).

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- 2.25.2 In view of above, the actual expenditure of Rs. 10,044 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as Bad Debt expenses in the APR for 2020-21.

## 2.26 Other expenses

- 2.26.1 WBSEDCL submits that such expenditure related to death / damage / injuries is contingent in nature and can never be predicted by WBSEDCL in its application. The Hon'ble Commission in the Tariff Order for 2020-21 did not consider any amount under the head 'Other expenses' for 2020-21. Also, such expense is not incidental to the normal course of distribution business and cannot be held as part of the O&M expenses in any way.
- 2.26.2 As per the Audited Annual Accounts of 2020-21, the other expenses in 2020-21 is Rs. 2,731 lakhs (Rs. 2,503 lakhs on the account of Loss on Demolition or Retirement of Fixed Assets, Rs. 6 lakhs on account of loss on obsolescence of inventory, Rs. 222 lakhs on account of solatium on death/damages - outsiders).

**Table 26: Total Other Expenses for 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Other Items - for contingent expenses like compensation to outsiders, staff of death/ damage/ injuries and safety awareness programme	0.00	2,732	Note No. 38(D) of the Audited Annual Accounts

- 2.26.3 For the safety of outsiders, awareness programs are organized at regular intervals. Even after such safety program, complete removal of cases of accident is very difficult as the distribution network of





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WBSEDCL with overhead bare conductors is widespread throughout the state, including difficult terrain and remote rural areas.

- 2.26.4 Other expenses also include Rs. 2,503 Lakhs on the account of loss on demolition/ retirement of Fixed Assets. This expenditure occurs when a depreciable asset is taken out of service prior to expiring of its life. Details of the same are shown below:

Sl no	Type of Asset	Amount (in Lakh)	Purpose
1	Civil Works	23.49	Civil construction installed in different year now replaced due to construction.
2	Line, Cable, Network	2479.52	Asset retired/replaced due to installation of new electrical Infrastructure under various projects (i.e. IPDS, DDUGJY etc.) funded by Govt.
	<b>Total</b>	<b>2503.01</b>	

As per directive given in APR Order for the year 2015-16, details break up of above expenditure with reason is furnished through Annexure- III of Volume-I for consideration of Hon'ble Commission.

- 2.26.5 WBSEDCL hereby submits that regulators like MERC and GERC have been approving such 'Other Expenses' as a separate line item at the time of truing up of distribution licensees. MERC while truing up of MSEDCL for 2014-15 approved the entire claimed amount of 'Compensation for injuries, death to others' of Rs. 6 crore and 'Loss on obsolescence of Fixed Assets' of Rs. 10 crores. GERC while truing up of UGVCL for 2016-17 approved the entire claimed amount of 'Miscellaneous Losses (Includes compensation for Injury, death damage – Outsiders, Loss on sale of scrap, HBA written off etc.)' of Rs. 2.37 crore.

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- 2.26.6 In view of the above, expenses of Rs. 2,732 lakhs incurred by WBSEDCL in 2020-21 may be considered by the Hon'ble Commission as other expenses in the APR for 2020-21.

## 2.27 Return on Equity

- 2.27.1 The Hon'ble Commission in the Tariff Order for 7<sup>th</sup> Control Period admitted pre-tax Return on Equity (hereinafter referred to as "ROE") for FY 2020-21 of Rs. 36,931.45 lakh for the year 2020-21 (ROE for Generation Rs. 4,723.78 lakhs and ROE for Distribution Rs. 32,207.45 lakhs).

- 2.27.2 The Hon'ble Commission in the Tariff Regulations has directed to compute ROE on pre-tax basis, and the actual income tax will be allowed separately subject to final assessment. Relevant extracts of the Tariff Regulations are provided below:

*Quote from WBERC Tariff Regulations 2011:*

*"Regulation 5.6.1.1 ... Such return on equity shall be calculated on the pre-tax basis and actual income tax liability related to the core business only will be allowed separately on actual payment basis subject to final assessment."*

- 2.27.3 In accordance with the above regulatory provision, the pre-tax ROE has been computed for 2020-21 in Form 1.22 of Annexure-I in Volume-I of this APR Application, as per provisions of the Tariff Regulations. Such ROE for 2020-21 becomes Rs. 37,547 lakhs. No equity addition has been considered for generation assets but actual addition of equity base for distribution assets Rs. 3086 lakhs has been considered during 2020-21 for computation of actual ROE. Thus, it may be considered by the Hon'ble Commission as ROE in the APR for 2020-21.





Table 27: Return on Equity for 2020-21

Rs. Lakh

Particulars	2020-21	2020-21
	(Admitted)	(Actual)
ROE for Generation	4,723.78	0
ROE for Distribution	32,207.67	37,547
<b>Total</b>	<b>36,931.45</b>	<b>37,547</b>

2.27.4 In terms of Regulation 2.8.6.1 of the Tariff Regulations, disallowance of excess power purchase cost is limited to an amount equal to the summation of ROE and net UI charges (i.e., Deviation Settlement Mechanism charges) receivables where net UI charges receivables amount over the year  $\geq 0$ . Accordingly, disallowance of excess power purchase cost of the FPPCA application for 2020-21 may now be limited to this amount of ROE, i.e., Rs. 37,547 lakhs.

2.27.5 In view of the above Rs.37,547 lakhs on account of ROE for generation and distribution function of WBSEDCL in 2020-21 may be considered by the Hon'ble Commission in the APR for 2020-21.

## 2.28 Minimum Alternate Tax

2.28.1 WBSEDCL submits that in this APR Application, ROE is claimed on pre-tax basis, and hence MAT is claimed separately by WBSEDCL in this APR Application amounting to Rs. 2,079 Lakh (Refer Note no 41: Taxation of annual accounts for 2020-21). Relevant IT assessment for 2018-19 & 19-20 have submitted to Hon'ble Commission with the APR application 2019-20.

2.28.2 In view of the above Rs. 2,079 lakhs on account of MAT of WBSEDCL in 2020-21 may be considered by the Hon'ble Commission in the APR for 2020-21.



## **2.29 Deviation Settlement Mechanism (DSM) / Unscheduled Interchange (UI) charges payable**

- 2.29.1 The Hon'ble Commission in the Tariff Order for 7<sup>th</sup> Control Period did not consider any net Deviation Settlement Mechanism (hereinafter referred to as "DSM") charges receivable or payable for FY 2020-21.
- 2.29.2 UI is presently termed as Deviation as per provisions of the CERC Deviation Settlement Mechanism Regulations, 2014. The said regulations have come into force on 17<sup>th</sup> February 2014. According to Regulation 14(1) of the CERC Deviation Settlement Mechanism Regulations, 2014, the CERC Unscheduled Interchange Charges Regulations will stand repealed once the CERC Deviation Settlement Mechanism Regulations come into force.
- 2.29.3 In order to bridge the demand-supply gap during real time operation and in order to ensure uninterrupted supply of electricity to its consumers, a total of 623.851 MU of energy has been drawn from the grid and 259.708 MU of energy has been injected into the grid as Deviation / UI during the year 2020-21. Such injection and drawal of Deviation have been done in accordance with the prevailing regulations without violating the grid discipline. As per Note 32 and 34 (A) of the Audited Annual Accounts of WBSEDCL for 2020-21, the net DSM charges is Rs. 14,010 lakhs (DSM charges payable Rs. 14,572 lakhs and DSM charges receivables is Rs.562 lakhs).
- 2.29.4 WBSEDCL in its Tariff Petition for 2020-21 did not consider any net DSM charges payable for 2020-21 and stated that the same will be considered on actual basis in the APR Application
- 2.29.5 In view of the above, expenses of Rs. 14,010 lakhs incurred by WBSEDCL in FY 2020-21 may be considered by the Hon'ble





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Commission as DSM charges payable or cost of energy drawn as deviation in the APR for FY 2020-21.

## 2.30 Income from non-tariff sources

2.30.1 Comparison of actual income from non-tariff sources for FY 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order for FY 2020-21 is shown in the following table.

**Table 28: Income from non-tariff sources for FY 2020-21**

Particulars	2020-21	2020-21	Reference
	(Admitted)	(Actual)	
Income from non-tariff sources	79,198	60,658	Note No. 32, 33, and 33A of Audited Annual Accounts and Form 1.26 of Annexure-I in Volume-I of this APR Application

Rs. Lakh

2.30.2 For 2020-21, the total income from non-tariff sources is Rs. 60,658 lakhs as computed in Form 1.26 of Annexure-I in Volume-I of this APR Application, includes the following:

- Rs. 28,402 lakhs as Rental of meters and other apparatus hired out.
- Rs. 967 lakhs as Dis-connection & Re-connection Charges.
- Rs. 1,295 lakhs as Income from Investments and Bank Balances (Rs. 1,272 lakhs as Interest Income from banks on Fixed Deposits & Other Deposits, Interest on Staff Loan & Advances Rs. 18 lakhs and Interest from Licensees, Suppliers/Contractors, Consumers Rs. 1,874 lakhs, less Interest claimed against advance to DPL Rs. 1,869 lakhs = Rs. 1,295 lakhs).
- Rs. 24,346 lakhs as Surcharge for Late Payments.

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 Regulation Department  
 WBSEDCL



- (e) Rs. 64 lakhs as other miscellaneous charges from service to consumers premises.
- (f) Rs. 583 lakhs as Transmission/Wheeling charges
- (g) Rs. 5,001 lakhs as other income (Refer Note 33 of Audited Annual Accounts of 2020-21 and Form 1.26 of Annexure-I in Vol-I of this APR application). Details of the same as below:

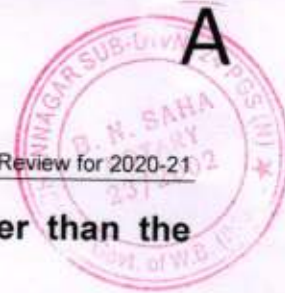
**Table 29: Other General receipts arising from and ancillary or incidental to the business of electricity for FY 2020-21**

Rs. Lakh

Other non-operating Income	
Particulars	2020-21 (Actual)
Income from Sale of Scrap	2,086
Consulting Income	60
Recovery of Cost of Collection-Electricity Duty	1,341
Tender Paper	147
Rental from Staff Quarters	452
Rental from Contractors	14
Rental from Others	123
Penalty deducted from Contractor/Supplier	195
Other misc. income	393
Insurance Claim settlement	190
Profit on Sale of Land	0
<b>Total:</b>	<b>5,001</b>

- 2.30.3 Considering (a) to (g), total income from non-tariff sources becomes Rs. 60,658 lakhs for the year 2020-21 which may be considered by the Hon'ble Commission as income from non-tariff sources in the APR for 2020-21.





## **2.31 Benefits from sale of power to persons other than the consumers and licensees**

- 2.31.1 The Hon'ble Commission in the Tariff Order for 7<sup>th</sup> Control Period stated that *".....in general the benefits from sale of power to persons other than the consumers and licensee of the commission will be passed on to the consumers/licensees on actual basis through APR of the concerned year only instead of tariff order on projection basis. Commission accordingly does not admit any amount under this head for 2020-21, 2021-22 & 2022-23."*
- 2.31.2 Accordingly, the net benefits from sale of power to person other than the consumers and licensee during 2020-21 has been computed in the Data Form 1.24 of Annexure-I in Volume-I of this APR Application. As per the computations, such benefits for 2020-21 is Rs. 19,233 lakhs.
- 2.31.3 This benefit may be shared by the Hon'ble Commission as per provisions of Regulation 5.15.2 (iv) of the Tariff Regulations. Accordingly, the Hon'ble Commission may consider to allow a benefit of Rs.9,617 lakhs (being 50% of the total benefits from sale of power to person other than the consumers and licensee) to be shared by WBSEDCL. Entity-wise quantum of power sold during the year 2020-21 is enclosed as Annexure-V in Volume-I.

## **2.32 Interest credit on depreciation**

- 2.32.1 Comparison of actual computed interest credit on depreciation for 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order of 7<sup>th</sup> Control Period for 2020-21 is shown in the following table.

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Table 30: Interest credit on depreciation for 2020-21

Particulars	Rs. Lakh	
	2020-21 (Admitted)	2020-21 (Actual)
Interest credit on depreciation	682.51	998

- 2.32.2 WBSEDCL has computed the interest credit on depreciation for 2020-21 in Form 1.17(g) of Annexure-I in Volume-I of this APR Application, and value for the same is Rs.998 lakh, which may be considered by the Hon'ble Commission as interest credit on depreciation in the APR for 2020-21.

### 2.33 Repayment of Bonds for Pension Fund

- 2.33.1 Comparison of actual repayment Bonds for Pension Fund for FY 2020-21 against that admitted by the Hon'ble Commission for the same period vide the Tariff Order of 7<sup>th</sup> Control Period for FY 2020-21 is shown in the following table.

Table 31: Repayment of Bonds for Pension Fund for FY 2020-21

Particulars	Rs. Lakh	
	2020-21 (Admitted)	2020-21 (Actual)
Repayment of Bonds for Pension Fund	30,600	0

- 2.33.2 WBSEDCL in its MYT petition for 7<sup>th</sup> Control period for FY 2020-21 projected principal repayment of Rs. 56,100 lakhs for the Pension Trust Bond. Repayment of Pension Trust Bond has been taken up with GoWB, being Govt. Guaranteed Bonds, to provide fund to avoid financial burden of the company. But WBSEDCL has not paid any amount under principal repayment for 2020-21 (refer Note 18 (A) (iii) and Note 18.2 of WBSEDCL's Audited Annual Accounts for 2020-21).





- 2.34 According to the approved Tariff Order by Hon'ble Commission for 7<sup>th</sup> Control Period, total adjustment of Regulatory Assets allowed for 2020-21 as Rs. 1,69,602 lakhs which has now claimed by WBSEDCL with this APR Application with net admissible fixed cost. (Refer E(B) of data sheet Volume-I of APR application)
- 2.35 From the 'Form E' of Annexure-I of Volume-I of this APR Application, net admissible fixed cost for 2020-21 comes to Rs. 10,85,637 lakhs as per the Tariff Regulations.
- 2.36 WBSEDCL submits that the amount recoverable through APR Application for 2020-21 after adjustment of variable cost as per FPPCA Application for 2020-21 becomes Rs. 7,57,161 lakhs. The break-up of such recoverable amount is given in the following table.

**Table 32: Total Amount recoverable through APR Application for 2020-21 after adjustment of variable cost as per FPPCA Application for 2020-21**

Rs. Lakh

Sl. No.	Item	Amount	
1	Variable cost as per FPPCA application for 2020-21		17,29,797
2	Net fixed cost as per APR application for 2020-21		10,85,637
3	Total realisable sales revenue for 2020-21 [ (1) + (2) ]		28,15,434
4	a1) Revenue from sale of power as per Annual Accounts 2020-21	21,52,065	
	a2) Less: Revenue from sale of power to persons other than licensees or any consumers and power swap out as per Annual Accounts 2020-21	(93,792)	
5	Net sales revenue for 2020-21 [4(a1)+4(a2)]		20,58,273
6	Net revenue recoverable for 2020-21 [(3) - (5)]		7,57,161

- 2.37 Hence Rs. 7, 57,161 lakhs may now be considered for release during the issuance of APR Order for 2020-21.

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WBSEDCL



- 2.38 The Hon'ble Commission is humbly requested to allow the consequential impact of APR in respect of WBPDC, WBSEDCL, CESC, DPL, DPSC/IPCL and impact of FCA in respect of CESC, DPL, DPSC/ IPCL and WBPDC for 2020-21.
- 2.39 While WBSEDCL has submitted necessary details in the APR Application, it seeks the opportunity to file supplemental information, if so required, at a later date. WBSEDCL has incurred legitimate expenditure, which is reflected in the Audited Annual Accounts of 2020-21. So, such expenditure may be allowed by the Hon'ble Commission as per the APR Application for 2020-21.
- 2.40 The Hon'ble Commission is humbly requested not to reject or disallow any part of the APR Application made by WBSEDCL or any claims arising there from without allowing WBSEDCL to prove prudence of such expenditure.
- 2.41 WBSEDCL has made every effort to meet the information requirements prescribed by the Hon'ble Commission. Notwithstanding the same, WBSEDCL, however, agrees to make available any further information, as and when asked for by the Hon'ble Commission.
- 2.42 Impact of APR of 2020-21 may preferably be distributed between energy charge and fixed / demand charge for recovery from sale to consumers and licensees subject to other conditions of the Tariff Regulations in the Tariff Orders for subsequent years.





### 3. Prayer

WBSEDCL respectfully prays to the Hon'ble Commission:

- (a) To admit this Application seeking Annual Performance Review of 2020-21
- (b) To approve net fixed cost of Rs.10,85,637 lakhs for 2020-21 in respect of WBSEDCL.
- (c) To approve an amount of Rs. 7,57,161 lakhs as recoverable after adjustment of variable cost as per FPPCA application for 2020-21 in respect of WBSEDCL.
- (d) To pass an order as the Hon'ble Commission may deem fit and proper keeping in mind the facts and circumstances of the case.
- (e) With an ultimate aim to achieve the Central Government's goal of 24x7 power for all, the Hon'ble Commission may consider to allow the legitimate expenditure items as claimed by WBSEDCL in this APR Application.

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