



**TARIFF ORDER**

**OF THE**

**WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

**FOR THE YEAR 2017 – 2018**

**IN**

**CASE NO: TP – 70 / 16 - 17**

**IN RE THE TARIFF APPLICATION OF THE WEST BENGAL  
STATE ELECTRICITY TRANSMISSION COMPANY LIMITED  
FOR THE YEAR 2017 – 2018 UNDER SECTION 64 (3) (a)  
READ WITH SECTION 62 (1) OF THE ELECTRICITY ACT, 2003**

**DATE: 04.07.2018**



## **CHAPTER - 1 INTRODUCTION**

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



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- 1.4 In terms of definition contained in regulation 1.2.1 (xxx) of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended from time to time (hereinafter referred to as the 'Tariff Regulations'), each control period after third control period shall be normally for a period of five ensuing years or such other period of number of ensuing years as may be decided by the Commission from time to time. The Commission vide order dated 04.05.2016 in Case No. SM-13/16-17 decided that the fifth control period shall be consisting of three ensuing years for the period from 2017 – 2018 to 2019 – 2020. But, the Commission after careful consideration of all relevant factors along with proposals of Amendment to Tariff Regulations, vide its order dated 14.12.2016 in Case No. SM-15/16-17 decided that the fifth control period shall be for one year and consist of 2017 – 2018 only and vide its order dated 14.12.2016 in file no. B-11/20 decided that the last date of filing of tariff petition for the fifth control period shall be 30.12.2016. WBSETCL accordingly submitted the petition for determination of tariff for the fifth control period consisting of the year 2017 – 2018 on 26<sup>th</sup> December, 2016.
- 1.5 After receiving the tariff petition for 2017 – 2018 of WBSETCL, the Commission on scrutiny observed that some of the documents are required as per regulation 2.5.2 and some forms as prescribed in different annexures as per regulation 2.7.2 of the Tariff Regulations, were not submitted along with tariff application. Accordingly, WBSETCL was requested to submit all those documents / forms vide Commission's letter no. WBERC/TP-70/16-17/2184 dated 27.01.2017. In reply, WBSETCL submitted the requisite data / information vide their letter memo no. Dir(OP)/WBSETCL/RAC/2(VI)/67 dated 14.02.2017 in specified format.
- 1.6 The application for tariff determination for the year 2017 – 2018 submitted on 26.12.2016 and the information / data furnished on 14.02.2017 (collectively termed as 'tariff application') were admitted by the Commission in case no. TP-



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- 70/16-17 and communicated to WBSETCL vide letter dated 22.02.2017 with the direction to publish the gist of their tariff application, as approved by the Commission, in the news papers and also in their website as per provisions of the Tariff Regulations. The gist was, accordingly, published simultaneously on 26.02.2017 in the news papers - (i) 'The Statesman' (English), (ii) 'Ekdin' (Bengali), (iii) 'Bartaman' (Bengali) and (iv) 'Himalaya Darpan' (Hindi). The gist along with the tariff application was also posted in the website of WBSETCL. The publication invited the attention of all interested parties, stake holders and the members of the public to the application for determination of tariff of WBSETCL for the fifth control period and requested for submission of suggestions, objections and comments, if any, on the tariff application to the Commission by 23.03.2017 at the latest. Opportunities were also afforded to all to inspect the tariff application and to take copies thereof.
- 1.7 It is noticed by the Commission that the approved gist published in the newspapers are not in consonance with the stipulations contained in its letter dated 22.02.2017, nor does it satisfy the requirement for publishing a notice containing a gist of tariff application in the daily newspapers "widely circulated in your area", as specified in regulation 2.7.3 of the Tariff Regulations, so far the publication in English and Hindi dailies are concerned. WBSETCL was, therefore, directed to publish the gist afresh in English and Hindi newspapers "widely circulated in your area" vide its letter dated 16.03.2017. WBSETCL, accordingly, published a fresh gist on 22.03.2017 in the newspapers – (i) 'The Times of India, Kolkata' (English) and (ii) 'Sanmarg' (Hindi).
- 1.8 No suggestion and objection on the tariff application of WBSETCL was received within the stipulated time i.e. 23.03.2017.
- 1.9 The Commission determines the tariff in accordance with the Electricity Act, 2003 and the Tariff Regulations framed thereunder and for this purpose, the



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Commission has examined the actual expenditure during previous four years (i.e. 2012 – 2013, 2013 – 2014, 2014 – 2015 and 2015 – 2016) alongwith estimated expenditure for the base year (i.e. 2016 – 2017) to arrive at the projected expenditure / cost under different heads for the year 2017 – 2018. During the tariff determination process Commission asked for several additional information / clarifications from WBSETCL vide letter dated 18<sup>th</sup> April 2017, 19<sup>th</sup> April 2017 and 1<sup>st</sup> June 2017 which were submitted by WBSETCL on 08<sup>th</sup> June 2017.

- 1.10 The estimates made for 2016 – 2017 by the Commission shall not be construed by WBSETCL as admission of at least such estimated amount in APR for 2016 – 2017. On the other hand, if in APR any deduction is made then as a conclusion from such decision one shall not expect that the impact of such deduction is to be continued in fifth control period as this will tantamount to imposing a penalty for infinite nature or double penalty for the same inefficiency.



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## CHAPTER - 2 THE CASE OF THE WBSETCL

- 2.1 In its tariff application for the fifth control period comprising the financial year 2017 – 2018, WBSETCL has projected amounts of Aggregate Revenue Requirements (ARR) as under:

Year	Aggregate Revenue (Rs lakh)	Allocated Transmission Capacity (MW)	Transmission charges (Rs. per MW per month)
2017 – 2018	157772.17	6634	1,98,186.32

- 2.2 WBSETCL has submitted that previously the sole long term user of the state transmission system was WBSEDCL. But, from 1<sup>st</sup> May, 2016, CESC Limited has entered into an Agreement with WBSETCL for availing Intra-State Long Term Open Access (LTOA) upto 9<sup>th</sup> February, 2040 for 150 MW allotted capacity in accordance with West Bengal Electricity regulatory Commission (Open Access) Regulations, 2007 for transmission of Haldia Energy Limited's power from Subhasgram 400 kV sub-station of Power Grid Corporation of India Limited to Kasba and Howrah interconnecting points with WBSETCL's system. It is also submitted by WBSETCL that presently bill is raised to CESC Limited for monthly transmission charges as per the rates determined by the Commission. It is further submitted by WBSETCL that in order to avoid over recovery of revenue, the amount billed to CESC Limited is being subtracted from the monthly bill of WBSEDCL.
- 2.3 The assessment of the energy transmission is based on the estimated quantum of energy to be purchased by WBSEDCL at 400 / 220 / 132 KV to meet its energy requirement for the aforesaid control period and the transmission of energy by CESC Limited since they are the long term user of the transmission network of WBSETCL. The other agencies use the said system only on short term basis. Power to be purchased by WBSEDCL from all the State and Central Sector



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Generating Stations are to be transmitted through the transmission system of WBSETCL. The evacuation systems of power generated at the Hydel Power Stations and Purulia Pumped Storage Project of WBSEDCL are also connected with the said transmission system. Total transmission of energy (MU) including the power transmission of CESC Limited for the year 2017 – 2018 has been projected by State Load Despatch Centre (SLDC). Total allocated transmission capacity (MW) including 150 MW LTOA of CESC Limited for the year 2017 – 2018 has been projected as 6634 MW considering forecasted average of daily peak demand on annual basis.

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

**2.4.1 Employee Cost:**

2.4.1.1 Average employee cost per employee has been projected on the basis of CAGR of the actual average employee cost per employee incurred during preceding 4 years ending in financial year 2015 – 2016. New recruitments at different cadres as well as future retirements have also been taken into consideration while making the projections under this head. Numbers of total employees projected by the licensee are 2794 for the year 2017 – 2018, considering projected new recruits of 240 employees and estimated retirement of 101 employees. It is also submitted that the recruitment of 421 numbers of employee for the financial year 2016 – 2017 is ongoing and approval for additional recruitment of 240 numbers of employee during the year 2017 – 2018 has also been obtained from the State Government. Accordingly WBSETCL projected Rs 24189.63 lakh as employee cost after net of the capitalized employee cost.



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**2.4.2 Operation and Maintenance (O&M) Expenses:**

2.4.2.1 WBSETCL has stated that in absence of any specific methodology specified in the Tariff Regulations in regard to escalation of O&M cost, CERC norms have been adopted considering 70% weightage of O&M expenses for sub-station expenses and 30% weightage for transmission line expenses. WBSETCL has projected the expenditure for different heads under the operation and maintenance head (O&M) stated to be on the basis of CAGR of the actual expenses incurred for the last 4 years period ending 2015 – 2016 after adding 10% margin over and above the effective CAGR in order to mitigate the risks of inflation in future fiscal years and to encourage the company to undertake required O&M works to ensure reliability of supply and health of assets. It is submitted that as per perspective plan 753 CKM of transmission line and 3082.50 MVA of sub-station capacity has been planned to be added in 2017 – 2018. WBSETCL has estimated the annual sub-station maintenance expense by multiplying the projected transmission capacity and O&M cost per MVA. Similarly the annual line maintenance cost has been estimated by multiplying the projected transmission network length and O&M cost per CKM. Finally the annual O&M cost is obtained by adding the annual O&M cost for sub-stations and transmission lines. Using the above method and on the basis of business growth projected for the fiscal year 2017-2018 WBSETCL has projected the overall O&M expense including rent, repair & maintenance, general administrative expenses, auditors fees, consultants fees, etc. as Rs. 8518.27 lakh.

**2.4.3 Rates and Taxes:**

2.4.3.1 Rates and Taxes payable in 2017 – 2018 has been projected as Rs. 139.92 lakh after considering an annual increase of 5.3% (arrived from CAGR of last four





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years ending in 2015 – 2016) over a base tax outgo of Rs. 132.87 lakh anticipated in 2016 – 2017.

**2.4.4 License/ Filing fees:**

2.4.4.1 WBSETCL has projected the license and filing fees payable for the year 2017-18 as Rs 238.76 lakh on the basis of relevant Rules and Regulations.

**2.4.5 Cost of Outsourcing:**

2.4.5.1 WBSETCL has projected Rs. 2238.37 lakh and Rs. 938.59 lakh towards Security Service and Vehicle charges respectively on account of outsourced services during the year 2017-18.

**2.4.6 Depreciation:**

2.4.6.1 The assets capitalization has been projected to be Rs 129411.06 lakh out of projected total capital expenditure of Rs. 155237.95 lakhs considering the status of ongoing projects and planned upcoming projects. Assuming no retirement of Assets during the year the amount of chargeable depreciation, computed in terms of Tariff Regulations is Rs 25005.20 lakh for the year 2017 – 2018.

**2.4.7 Advance against Depreciation:**

2.4.7.1 WBSETCL has projected Rs. 1281.44 lakh as advance against depreciation for the year 2017 – 2018 based on the depreciation amount and the loan repayment schedule.

**2.4.8 Interest and Finance Charges:**

2.4.8.1 Total interest payable on loans from the Government and other Financial Institutions in the year 2017 – 2018 has been worked out to be Rs. 36817.48 lakh, including interest on pension bond and interest on normative loan, after



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capitalizing a part of such amounts of interest charges. The above figures do not include interest on working capital of Rs. 1566.92 lakh which has been claimed separately based on regulation 5.6.5 of the Tariff Regulations. WBSETCL has also projected an amount of Rs. 33.33 lakh towards other finance charges for the year 2017-18.

**2.4.9 Income Tax:**

2.4.9.1 WBSETCL in paragraph 3.3.10 under detail tariff proposal in Vol-I has projected Rs. 12363.40 lakh as income tax payable on account of income/profit during the year 2017 – 2018 based on the corporate tax rates (33.99%) as the same becomes lower than the tax amount of Rs. 13015.06 lakh payable on the basis of Minimum Alternative Tax rates (20.00%). However at the same time it is observed that WBSETCL has considered Rs. 13015.06 lakh in Form E(T) submitted in Vol-II of the petition while computing the ARR.

**2.4.10 Amount payable to WBPDC:**

2.4.10.1 WBSETCL has projected Rs. 4910.07 lakh payable to WBPDC on account of cost of the evacuation line from Bakreswar Thermal Power Station financed by WBPDC considering the directives of the Commission's order dated 28.10.2016.

**2.4.11 SLDC charges:**

2.4.11.1 WBSETCL has projected the expenditure of SLDC for 2017 – 2018 as Rs. 1088.91 lakh and included the same in Forms 1.13 and 1.17 under the appropriate heads. Subsequently for the purpose of arriving at the revenue required from Transmission charge an equivalent amount has been deducted as SLDC Handling Charges from the Gross Revenue Requirement.



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**2.4.12 Reserve for unforeseen Exigencies:**

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

**2.4.13 Return on Equity:**

2.4.13.1 The amounts of return claimed by WBSETCL are Rs. 39163.58 lakh for the year 2017 – 2018 considering the rate of return of 15.50%. It is stated that the lower of actual or normative equity contribution on net addition to fixed assets in 2017 – 2018 has been considered for the purpose of arriving at the average equity base required for calculation of ROE.

**2.4.14 Incentive:**

2.4.14.1 WBSETCL in vol-I of the petition has submitted that pending quantification of actual T&D losses for the year 2017-18 neither any incentive was claimed during the control period nor any benefits been passed onto the consumers. However at the same time it is observed that WBSETCL has considered Rs. 253.07 lakh as incentive in Form-E(T) in Vol-II of the petition while computing the ARR.

**2.4.15 Special Allocation:**

2.4.15.1 WBSETCL has projected an amount of Rs. 9471.31 lakh towards Special allocation details of which has been given in form 1.21 in volume – II to the tariff petition. It is submitted that the Commission may allow the carrying cost on this amount as applicable.

**2.4.16 Other Income:**

2.4.16.1 WBSETCL has projected Rs. 2454.32 lakh as income from non-tariff sources and Rs. 6342.04 lakh as income from short-term open access (STOA) charges for the year 2017 – 2018. WBSETCL computed their Annual Revenue Requirement after adjusting the projected income from non-tariff sources and STOA charges. However, WBSETCL in their subsequent submission vide letter dated 8.6.2017



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intimated that income of Rs. 608.55 lakh from investment of SLDC has erroneously included in the non-tariff income of WBSETCL and requested to consider non-tariff income as Rs. 1845.77 lakh for the year 2017 – 2018.



## CHAPTER- 3

### DETERMINATION OF FIXED CHARGES

- 3.1 The net amounts of fixed charges projected by WBSETCL for the year 2017-18 of fifth control period under the Multi-Year Tariff (MYT) approach are as follows:

	<b>Rs. lakh</b>
	<b>2017-18</b>
Gross fixed charges	158666.81
Less : Income from other non-tariff sources, interest credit, SLDC & STOA Charges	10365.96
Add : Special allocation on account of APR adjustments	9471.32
<b>Net Amount of fixed charges</b>	<b>157772.17</b>

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

- 3.2 The Commission has made prudent analysis of the charges claimed under different heads with reference to reasonableness. While determining fixed charges on different heads for WBSETCL for the ensuing year 2017-18 under fifth control period the following considerations have taken place:
- 3.2.1 WBSETCL has projected the expenditure for different heads under the operation and maintenance head (O&M) stated to be on the basis of CAGR of the actual expenses incurred during the fourth period ending 2015-16. The Commission finds it prudent to analyze the projection of expenditure under this head in the light of inflationary trend during the previous year and also the business growth during the years as detailed out in subsequent paragraphs.



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

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

- a) Inflationary trend has been considered upto Jan, 2017 for WPI and CPI and weightage has been given to WPI & CPI at the ratio of 60:40 in line with the norms fixation methodology under CERC Tariff Regulations. This is being done in order to capture the realistic trend of 2017-18 as far as possible so that projection for fifth control period 2017-18 can have better accuracy. Accordingly based on the WPI numbers and CPI numbers as available in the



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website of Economic Advisor of GOI for WPI and Labour Bureau of GOI for CPI the computed inflation trend for the above 10 months and previous years are given in the following table 1:

Table- I

<b>TREND OF INFLATION RATE FOR THE PERIOD APRIL,2016 TO JAN,2017</b>	
Average inflation rate as per WPI from April,2016 to Jan,2017	2.88
Average inflation rate as per CPI from April,2016 to Jan,2017	4.45
Average inflation rate as per WPI + CPI (60:40) from April,2016 to Jan,2017	3.51
<b>Note :</b> For detail data Annexure -3A may be seen	

- b) Different sub heads under O&M expenses, Expenses for outsourcing (limited to manpower and vehicle hiring cost), insurance and rates & taxes are effected by inflationary trend but at different degree depending on the characteristics of such head or sub-head. In this context two recognized inflationary trends used in the country are WPI and CPI. Along with these two types of inflationary rate for power sector another third type inflationary rate used by the Commission is based on hybrid index (WPI+CPI) as explained in paragraph (a) above. In Annexure-3A the basis of inflationary rate considered for such heads and sub-heads of expenditure are given. The inflationary rate based on hybrid index of WPI & CPI numbers has been considered to be applicable for all the sub-heads / heads under O&M expenses, rates & taxes, insurances and vehicle running outsourced expenses. But for security expenses the inflationary rate based on CPI number has been considered as such expense is being significantly loaded with wages of security personnel. In this context it is to be noted that all these heads of expenditure are treated as heads under O&M function of CERC Tariff Regulations. Accordingly the above inflation rates as given in the table – I above are used for determination of escalation rate in 2017-18 with respect to the previous years'



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admitted expenditure to find out the admitted expenditure of the referred heads. Thus the inflation rate considered for tariff computation are as per the following Table – II:

Table II

<b>INFLATION TRENDS</b>				
<b>Financial Years</b>	<b>CPI</b>	<b>WPI</b>	<b>Combined WPI &amp; CPI (60 : 40)</b>	<b>Remarks</b>
2012-13	10.43	7.36	8.59	Actual
2013-14	9.72	5.98	7.48	Actual
2014-15	6.30	2.15	3.81	Actual
2015-16	5.65	-2.51	0.75	Actual
2016-17	4.45	2.88	3.51	Actual
2012-13 to 2016-17	7.31	3.17	4.83	Averaged on annual Basis
2013-14 to 2016-17	6.53	2.12	3.89	
2014-15 to 2016-17	5.47	0.84	2.69	
2015-16 to 2016-17	5.05	0.18	2.13	
2012-13 to 2015-16	8.02	3.24	5.16	
<b>Note :</b> For detail data Annexure – 3A may be seen				

- c) For finding out the expenditure to be admitted by the Commission, the estimated expenditures of 2016-17 submitted by WBSETCL are scrutinized by the Commission so that overestimated value can be rationalized to a reasonable extent. This is being done as otherwise the existence of overestimated expenditure for 2016-17 may result into higher admitted amount for fifth control period as because the computation for projection of expenditure for 2017-18 are done by applying the annual escalation rate over the estimated figure of 2016-17. On the estimated value as provided by WBSETCL for 2016-17 Commission has done its own estimation as shown in the Table 1 in Annexure – 3B by applying its prudence which are explained below:





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- i) The expenditure estimated by WBSETCL for 2016-17 on repair and maintenance, legal charges, rent, Vehicle hire charges, Auditors Fees, Other Administrative and General Expenses and security charges shows increase around 15% more than the audited actual expenditure over 2015-16. This proposed increase in 2016-17 is abruptly high even after considering the inflationary rate over the actual expenditure of 2015-16. WBSETCL has not justified the reasons of such increase in base year 2016-17 of fifth control period. The Commission is of the view that the increased rate in expenditure due to impact of business volume increase cannot exceed the increase in the rate of business volume for any year. Thus, for these items, the Commission estimated the expenditure for 2016 – 2017 by giving effect of relevant inflationary rates as well as rate of increase in business volume. In the case of Rates and Taxes WBSETCL has estimated 5 % growth in 2016-17 in relation to 2015-16. On this item of expense the Commission considered the average of actual values of 2013-14 to 2015-16 as the expenditure is of statutory nature being Municipal Taxes . Such estimated value by Commission has been calculated and depicted in the Table – 1 of Annexure 3B.
- ii) In this estimate of expenditures for 2016-17, on the head repair and maintenance, it may be noted that the estimation of WBSETCL is Rs. 5506.42 lakh as per submission of WBSETCL, whereas the same as worked out by the Commission is Rs. 5104.88 lakh based on the CAGR of four financial years ending 2015-16 and the hybrid inflation rate of 3.51% as per Table-I earlier
- d) It is to be noted that the expenditure for 2016-17 is estimated one by the Commission after considering increase in business volume parameters based on CAGR of increase in volume from 2012-13 to 2015-16 and relevant



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inflationary index as applicable for 2016-17 to arrive at a reasonable estimate.

- e) Where the projected expenses by WBSETCL for 2017-18 are less than or equal to the value estimated by the Commission for 2016-17 and the actual value of 2015-16 in such case no escalation is being allowed for fifth control period because WBSETCL's projection is considered as admitted figure.
- f) Where the past data shows irrational/asymmetric character in such case Commission by applying due prudence takes an appropriate escalation rate which is discussed in relevant portions.
- g) Where annual escalation rate or CAGR of past period (2013-14 to 2016-17, 2014-15 to 2016-17 and 2015-16 to 2016-17) crosses the concerned inflation rate of the said past period in such case escalation rate for projected expenditure due to business volume increase is computed from past trend by reducing it with the concerned inflation rate of the relevant past period and that has been explained in the relevant portions. In such case the annual escalation rate for 2017-18 are as follows:

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

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

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



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

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

For such annual escalation rate calculation the annual increase (%) in expenses as required for calculation of R is decided by commission by taking the lowest positive CAGR value from among CAGR of (2013-14 to 2016-17, 2014-15 to 2016-17 and 2015-16 to 2016-17) subject to different aspects considering rationality or level of asymmetric character of past data as has been explained in the relevant portion. However principally wherever R on computation found to be higher than one then in such case R is considered not more than 1 as Commission is of the opinion that rate of increase in expenses due to business volume increase cannot surpass the rate of increase in business volume parameter unless there is any specific reason which can be established by the licensee. Similarly when R is found to be a value between 0.5 and 1 then also in ensuing year annual escalation rate is further reduced by a small quantum with an objective of gradual improvement in efficiency of the licensee in expenditure control by utilizing different resources in a more effective manner.

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



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additional expenditure. Details of such modification and any other specific consideration are detailed out in relevant portion where each element of fixed charge is dealt with.

Where the past CAGR of expenditure of any above referred elements for the respective period (2013-14 to 2016-17, 2014-15 to 2016-17 and 2015-16 to 2016-17) is lesser than the concerned inflation rate as provided in Table - I in such case in line with CERC's principle 110% (an additional 10% margin) of such growth rate is considered as the annual escalation rate for 2017-18 for the following reasons:

- i) To ensure the interest of all the stake holders in a better way from the point of view of availability consideration of the net work asset and different services.
  - ii) Also to provide a comfort to WBSETCL in carrying out O&M of the assets by extending an additional insulation against uncertainty arising out of increased expenditure for any unforeseen reason.
- h) For WBSETCL the line length in Circuit Kilometer (CKM) has been considered as business volume parameter to which all the elements of expenditure have been considered to be sensitive.
- i) WBSETCL has provided the data of CKM of Transmission Lines for the period 2012-13 to 2017-18. The estimate submitted for 2016-17(13871 CKM) is 10% higher than the last actual audited data of 2015-16(12573 CKM) and the projection of 2017-18 (14624 CKM) is 5% higher than the estimated figure for 2016-17 while capacity growth to this extent was not actually achieved in any of the previous actual year based on 2012-13..After going through the past trend as data provided by WBSETCL vide their Memo. No.



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Dir(Op)/WBSETCL/RAC/2(IV)/92 Dated 8.6.2017 in response to the Commissions' letter WBERC/TP-70/16-17/0360 dated 1.6.2017 and vide their Memo. No. Dir(Op)/WBSETCL/RAC/2(IV)/67 dated 14.2.2017 in response to the Commissions' letter WBERC/TP-70/16-17/2184 dated 27.1.2017, the Commission has calculated the CAGR 2012-13 to 2015-16 at 3% and this CAGR has been considered for assessing the future growth for 2016-17 to 2017-18.

Table III

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Transmission line length in CKM	11445	11951	12043	12573	12950.19
Changes in line length (%)	Not applicable	4.42	0.77	4.40	3.18

The CAGR of above volume growth (2012-13 to 2015-16) is considered to arrive at the figure for Transmission line length in CKM for 2016-17. The same rate has thereafter been considered to arrive at the transmission line length in CKM projected for 2017-18 over the base of 2016-17 on the basis of which the projected expenditure has been admitted in 2017-18:

Table - IV

Particulars	2017-18
Transmission line length in CKM	13338.70
Changes in line length (%)	3.18

During truing up in APR 2017-18 such projected transmission line length in CKM as given in Table IV shall be considered as the basis against which the expenditure has been admitted during concerned tariff order and accordingly truing up will be taken up



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- j) For computation of admitted expenditure on different elements for 2017-18 the base expenditure over which the above escalation rates are applied have been considered either on the estimated value of 2016-17 by WBSETCL or by the Commission as explained in paragraph 3.2.1(c) above.
- k) Based on the above principle the projected expenditure on above mentioned different elements of fixed charges for 2017-18 has been computed and then compared with the claimed amount of WBSETCL for the said year and whichever is lowest is being admitted in this tariff-order.

**3.2.2 O&M Expenses determination:**

Based on the laid down principle in paragraph 3.2.1 above following different sub-heads of O&M function are determined. In this context tables in Annexure – 3B may be referred to for the past trend of expenditure.

- a) **Repair & Maintenance (R&M) Expenditure:** The escalation rates to be used for the projection of expenditure of R&M activity have been determined separately for each element in a manner as described below:
- For R&M expenditure the escalation rate considered is the CAGR of R&M expenditure for 2014-15 to 2016-17 being the lowest positive among the three relevant CAGR for respective periods.. The hybrid inflation for the same period i.e. 2014-15 to 2016-17 has been considered to give effect to the formulation as explained at para 3.2.1.g above. Such CAGR of expenditure being higher than the corresponding inflation for the relevant period, the inflation rate has been considered to be factored with CAGR of volume growth as considered for 2017-18. An additional float is also considered as 0.5% in order to provide insulation against uncertainty of any expenditure hike due to any unforeseen



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reason. Thus applying the rationale and principle as laid down in para 3.2.1.g,h,i,j,k the figure for 2017-18 comes to Rs 5430.20 lakh.

**b) Rent and Legal Charges:**

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

**(i) Rent:**

For expenditure on Rent the escalation rate considered is the CAGR of expenditure towards Rent for 2015-16 to 2016-17 being the lowest positive among the three relevant CAGR for respective periods.. The hybrid inflation for the same period i.e. 2015-16 to 2016-17 has been considered to give effect to the formulation as explained at para 3.2.1.g above. Such CAGR of expenditure being higher than the corresponding inflation for the relevant period, the inflation rate has been considered to be factored with CAGR of volume growth as considered for 2017-18. An additional float is also considered as 0.5% in order to provide insulation against uncertainty of any expenditure hike due to any unforeseen reason. Thus applying the rationale and principle as laid down in para 3.2.1.g,h,i,j,k the figure for 2017-18 comes to Rs 171.32 lakh.

**(ii) Legal Charges:**

The CAGR of expenditure towards Legal charges for 2015-16 to 2016-17 being the lowest positive among the three relevant CAGR for respective periods.. The hybrid inflation for the same period i.e. 2015-16 to 2016-17 has been considered to give effect to the formulation as



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explained at para 3.2.1.g above. Such CAGR of expenditure being higher than the corresponding inflation for the relevant period, the inflation rate has been considered to be factored with CAGR of volume growth as considered for 2017-18. An additional float is also considered as 0.5% in order to provide insulation against uncertainty of any expenditure hike due to any unforeseen reason. Thus applying the rationale and principle as laid down in para 3.2.1.g,h,i,j,k the figure for 2017-18 comes to Rs 62.73 lakh.

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

The escalation rate for other administrative and general expenses has been determined as in pursuance to the principle laid down in the third paragraph after the formula at 3.2.1.g as the past CAGR of expenditure of the element for the period 2014-15 to 2016-17 being the least positive value among the relevant periods of 2013-14 to 2016-17, 2014-15 to 2016-17 and 2015-16 to 2016-17 which is lesser than the concerned hybrid inflation rate for the period 2014-15 to 2016-17. In such case in line with CERC's principle 110% (an additional 10% margin) of such growth rate is considered as the annual escalation rate for 2017-18 as laid down in para 3.2.1.g. The Commission preferred to allow the Licensing and Filing Fees as claimed by WBSETCL separately from other A&G Expenses being uncontrollable in nature. At the time of truing up WBSETCL is requested to submit audited data separately for Other A&G and Licensing and Filing Fees Thus the admitted figure for 2017-18 comes to Rs 1637.93 lakh for Other Administrative and General Expenses and Rs. 238.76 lakhs for Licensing and Filing Fees.





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**d) Auditor's Fees:**

The escalation rate for such expenses has been determined as in pursuance to the principle laid down in the third paragraph after the formula at 3.2.1.g as the past CAGR of expenditure of the element for the period 2013-14 to 2016-17 being the least positive value among the relevant periods of 2013-14 to 2016-17, 2014-15 to 2016-17 and 2015-16 to 2016-17 which is lesser than the concerned hybrid inflation rate for the period 2014-15 to 2016-17. In such case in line with CERC's principle 110% (an additional 10% margin) of such growth rate is considered as the annual escalation rate for 2017-18 as laid down in para 3.2.1.g: Thus the admitted figure for 2017-18 comes to Rs 53.34 lakh.

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

Rs. in lakh

Sl No.	Elements of Expenditure	As Claimed By	As admitted
		WBSETCL	by WBERC
		2017-18	2017-18
1.	R & M Charges	6232.37	5430.20
2.	Rent	197.67	171.32
3.	Audit Fees	62.92	53.34
4.	Legal charges	72.39	62.73
5.	Other A&G expenses	1952.92	1637.93
6.	<b>A&amp;G expenses (2+3+4+5)</b>	<b>2285.90</b>	<b>1925.32</b>
7.	<b>O&amp;M expenses (1+6)</b>	<b>8518.27</b>	<b>7355.52</b>
8.	Licensing and Filing Fees	238.76	238.76

**3.2.3 Rates & Taxes:** In Rates and Taxes the Commission preferred to make the projection based on in line with sub-para (g) para 3.2.1 considering a hike of 10% over the Lowest positive CAGR of 2013-14 to 2016-17. Commission has also taken note of the fact that a new tax framework of GST has been introduced w.e.f. 1<sup>st</sup> July, 2017. Impact of such new tax framework will only be visible at the



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end of 2017-18. Hence any estimation following past trend of expenditure covering a period range may not lead to realistic estimation. Considering the above, Commission decides to take the actual of 2015-16 as the estimated amount for 2016-17. It is a matter of fact that any tax incidence arising out of procurement of any goods or services is associated with the base value of such goods and services and following which, the invoice which is raised by the vendor comprises of the base value and the tax incidence. This invoice forms the voucher as basic evidence in such financial transaction involving expenditure towards procurement of goods and services which is also considered as evidence in books of Accounts and accounted for accordingly. So, any review or assessment of such expenditure for procurement of goods and services whether actually incurred as in APR or estimated as in ARR cannot be done excluding the tax incidence. Accordingly, it is directed that while assessing APR for 2017-18 Tax incidence wherever associated with any procurement of goods and services recorded in the books of accounts on the strength of invoice shall be considered under the specific respective expenditure head with which it is associated. Accordingly WBSETCL, while submitting APR for 2017-18, shall furnish amount incurred towards tax associated for procurement of goods and services separately in the respective expenditure head against which it has been incurred and submit the same under the head of such specific head of expenditure with which such tax is associated. Such taxes related to procurement of goods and services, shall not be considered under the head of Rates & Taxes while assessing Rates & Taxes for APR 2017-18. Instead it will be considered in the respective expenditure head for which it has been incurred while assessing the particular expenditure incurred under that head in the APR 2017-18. Such Tax incidence for GST or any other tax, whenever arises out of any procurement of goods and services through a common invoice involving the basic value of the goods and service alongwith related tax incidence shall also be considered by



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the Commission in the ARR in the same manner as explained above next time onwards. Accordingly, WBSETCL shall also come up with list of such Rates & Taxes showing the specific heads of expenditure as proposed to be incurred against which such GST/Tax is associated while submitting ARR for the next Tariff period.

. Hence, the admitted expenditure under Rates and Taxes are as follows:

SI No.	Elements of Expenditure	Rs. in lakh	
		As Claimed by WBSETCL 2017-18	As Admitted by WBERC 2017-18
1.	Rates & Taxes	139.92	127.08
<b>Note :</b> For detail calculation the tables 1 & 2 under Annexure-3B may be seen			

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

Based on the laid down principle in paragraph 3.2.1 different elements of Outsourcing Expenditure a) vehicle hiring expenses and b) security services expenses (manpower related expenses) are determined. In this context tables in Annexure – 3B may be referred to for the past trend of expenditure:

a) **Vehicle hiring cost:** For Vehicle Hiring Cost the escalation rate considered is the CAGR of such expenditure for 2014-15 to 2016-17 being the lowest positive among the three relevant CAGR for respective periods.. The Hybrid inflation for the same period i.e. 2014-15 to 2016-17 has been considered to give effect to the formulation as explained at para 3.2.1.g above. Such CAGR of expenditure being higher than the corresponding inflation for the relevant period, the inflation rate has been considered to be factored with CAGR of volume growth as considered for 2017-18. An additional float is also considered as 0.5% in order to provide insulation against uncertainty of any expenditure hike due to any unforeseen reason. Thus applying the rationale



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and principle as laid down in para 3.2.1.g,h,i,j,k the figure for 2017-18 comes to Rs 817.79 lakh

- b) **Security services expenses:** For Security Expenses the escalation rate considered is the CAGR of such expenditure for 2014-15 to 2016-17 being the lowest positive among the three relevant CAGR for respective periods. Since such CAGR of expenditure is less than the CPI inflation for the concerned period observing the principle laid down in para 3.2.1(g) above considering 10% hike over the CAGR of the selected period the estimated expenditure under this head comes to Rs. 1891.03 lakh. Thus the admitted expenditure under Outsourcing Expenses are as follows:

Rs. in lakh

I No.	Elements of Expenditure	As Claimed	As Admitted
		2017-18	2017-18
1.	Vehicle hiring expenses	938.59	817.79
2.	Security services expenses	2238.37	1891.03
3.	Outsourcing Expenses (Vehicle hiring & Security services Expenses) [ (1)+(2) ]	3176.96	2708.82

3.2.5 It is to be noted that the estimated expenditures which are only determined by the Commission for 2016-17 against any head or subheads as discussed above in paragraph 3.2.1, have been considered as base year expenditure for those heads for tariff determination purpose. In case any of such estimated expenditure as derived by the Commission is found to be less than the actual amount based on the audited actuals for 2016-17 duly factoring actual business volume parameter increases for 2016-17 then such variation with additional impact on the projected expenditure against concerned heads/sub-heads for the period 2017-18 will be passed through tariff in APR of concerned year separately irrespective of whether such item is controllable factor or uncontrollable factor.



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During truing up exercise in APR of the concerned year the estimated expenditures of all the elements of different heads as mentioned in paragraph 3.2.1(c) above for 2016-17 are to be considered as have been incurred against the actual value of the business volume parameter (i.e., transmission line length) which has been achieved at the end of 2016-17. In case the actual value of Transmission Line Length (TLL) in 2016-17 is found to be higher than the estimated value that has been considered for 2016-17 in this tariff order then impact of such enhanced amount will be added to the projected value of TLL for the period 2017-18 of the tariff order to find out the target business volume parameter against the projected expenditure that has been admitted in the tariff order. On the basis of such revised targeted business volume parameter the truing up exercise in APR will be done specially while applying the regulation 2.6.10(v) of the Tariff Regulations.

**3.3 Employee Cost:**

- 3.3.1 The projection of employee cost for 2017 – 2018 stated to have been made by WBSETCL on the basis of the approved manning pattern for their various operation units and taking into account the future planned recruitment and retirement of employees. Normal increment and increase in Dearness Allowance (D.A.) are also taken into account.
- 3.3.2 The total amount of employee cost projected by WBSETCL in respect of own employees as well as employees on contract in regular establishment for the 2017-18 of the concerned control period on the basis of Form 1.17(h) and E(T) is as follows:

Year	No. of total employees	Amount (Rs. in lakh)
2017-18	2794	24189.63



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3.3.3 WBSETCL made the following projection of the no of Employees for the years 2015-16, 2016-17 and 2017-18 in the Form 1.17(h) submitted with the Tariff Petition for 2017-18.

For 2015-16 no value has been shown, for 2016-17 the figure is 2675 nos. and for 2017-18 the figure is 2794 nos. In their submission at Para 3.1.2 it has been stated that the employee cost has been projected on the basis of CAGR of 4 years ending 2015-16. The number of new recruits projected is 240 nos. and retirees at 101 nos. In response to the Commission's letter under Memo No. WBERC/TP-70/16-17/0122 dated 19.4.2017 and WBERC/TP-70/16-17/0360 dated 1.6.2017 the total number of employees for 2015-16 was stated as 2382 nos. For 2016-17 excluding repatriation the figure is 2305 nos. and considering repatriation on 31.3.2017 as 84 nos. superannuation during 1.4.2017 to 31.3.2018 is 100 nos. This updated data of employee number has been used in computation of employee cost. For ready reference the data is placed in the following table:

	2015-16	2016-17	2017-18
Number of Employee at the beginning of the year	2462	2382	2305*
Recruitment during the year			240
Retirement during the year			100
Number of Employee at the end of the year	2382	2389	2445
Average number of employees considered	2422	2386	2375
*Note: Employee at the beginning of 2017-2018 after excluding 84 number employees repatriated on 31.03.2017			

3.3.4 The Commission now analyzes the impact of normal increment in basic pay and increase in DA in employee cost for the respective years. The total amount of employee cost including Directors' remuneration as projected by WBSETCL for the year 2017-18 is Rs.20703.65 Lakh and Terminal Benefit Rs.3485.98 Lakh.



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- 3.3.5 On the basis of the actuals submitted by WBSETCL for the year 2015-16 the estimate submitted by WBSETCL for 2016-17 has been revised by the Commission based on the average no. of employees projected for 2016-17 considering necessary hike of 3% in basic and relevant hike for DA etc over actual of 2015-16. However, in case of retirement benefit where the Commission likes to maintain the rate of increase as per WBSETCL projected growth rate in 2017-18 vis-a-vis 2016-17 on the actual data furnished by WBSETCL for 2015-16 in absence of any other details.
- 3.3.6 For the purpose of projection of employee cost for the year 2017-18, the Commission likes to proceed considering the average no of employees of 2017 – 2018 and estimated Basic pay for 2016 – 2017 and factoring increment of 3%. Projection for DA @139% was made on such projected Basic Pay. Projection for Other Allowance have been made on the proportion of this element to Basic pay for 2016 – 2017. Projection for Bonus, Ex-gratia, LTC etc. for 2017 – 2018 have been made considering the average no of employees of 2017-18 and estimated cost on this element for 2016 - 2017. For the purpose of capitalization the same % of capitalization to total cost as observed by WBSETCL in their projection for 2015-16 actual has been accepted by the Commission. The Detailed calculation has been placed in Annexure 3C. The Commission thus decides to admit the following amounts towards employee cost including terminal benefits and Directors' remuneration.

<b>Rs in lakh</b>			
Year	Salary	Retirement Benefit	Total
2017-2018	15461.43	3266.74	18728.17

- 3.3.7 It is, however, necessary to mention that the employee costs are uncontrollable and therefore, are subject to adjustments on Annual Performance Review (in



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short 'APR'). WBSETCL is directed to intimate the total CKM of transmission lines vis-à-vis number of employees in their APR application in order to ascertain the allowable man power for determination of employee cost as per schedule 9A of the Tariff Regulations. Employee cost should be segregated in respect of own employees and employees on contract basis under regular establishment, if any.

**3.4 State Load Despatch Centre (SLDC) Charges:**

3.4.1 WBSETCL in their petition has submitted that consequent to the Electricity Act, 2003, it is engaged in the business of transmission and load despatch of electricity.. In terms of West Bengal Power Sector Reforms Scheme 2007, notified by the Government of West Bengal, the functions and management of SLDC is the responsibility of WBSETCL.

3.4.2 WBSETCL has projected the expenses for SLDC including ULDC charges for the year under the fifth control period in their submission in Vol. I at page 18 and Annexure – 9 of their memo no. Dir(OP)/WBSETCL/RAC/2(iv)/92 dated 8.6.2017, as follows:

		Rs. in lakh
Sl. No.	Particulars	2017-18
1	ULDC tariff charges	372.12
2	Repair & Maintenance	79.89
3	Administrative charges	50.80
4	Bank charges	0.10
5	Employee cost	576.00
	Total Revenue Expenditure (A)	1078.91
6	Capital Expenditure (B)	10.00
	Total Expenditure [(C) = (A)+(B)]	1088.91
7	Less: Scheduling charges	39.09
	Application fees	37.80
	Income from interest	608.55
8	Total Income (D)	685.45
	Net SLDC charges [(C) – (D)]	403.46

3.4.3 ULDC charge for the base year 2016-17 has been estimated with a hike of around 10% over the actual for 2015-16. WBSETCL has not, however,





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forwarded any reasons for such estimation. WBSETCL has projected around 10% hike in 2017-18 over the projected value for the base year in ULDC charge during the fifth control period. According to the annual accounts of WBSETCL for 2015-16, ULDC charge paid by SLDC was Rs. 281.91 lakh. The Commission admits the amount of Rs. 341.11 lakh for the year 2017-18 towards ULDC charges considering escalation at the rate of 10% in 2016-17 and 2017-18 consequentially on the actual of 2015-16 . However, actual expenses would be considered in the APR on the basis of audited annual accounts of the respective financial year.

- 3.4.4 Repairs and maintenance and general and administrative charges would come under the broad head of operation and maintenance charges, which is controllable in nature. As per annual accounts of SLDC for the year 2016 – 2017, total amount of such operation and maintenance expenses was accounted for Rs. 88.59 lakh during the year 2015-16.
- 3.4.5 As already discussed in sub-paragraph (b) of paragraph 3.2.1 above, the inflationary trend for ascertaining the expenditure during the year 2016-17 has been considered @ 3.51% over the actual expenditure during the year 2015-2016 under the head repair and maintenance. Similarly, the inflationary growth during the years 2017-18 has also been considered at the same rate of 3.51%. No hike for business growth has, however, been considered by the Commission as the nature of R&M job in SLDC is very less sensitive to business volume parameters.
- 3.4.6 Considering inflationary hike in price for repair, maintenance and administrative charges under (O&M) expenses as considered for transmission function as stated above, the Commission admits the amount of Rs.94.92 lakh for the year 2017 – 2018 under the head.



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3.4.7 WBSETCL has projected the employee cost for SLDC function at Rs.576.00 lakh for 2017-18. The employee cost of SLDC for the year 2015-16 was Rs. 402.63 lakh. The Commission has now viewed the increase in employee cost in line with the hike considered for the transmission function in paragraph 3.3.6 and considers 1.10 times hike in 2017-18 in relation to 2015-16, vide Annex 3C. The commission thus admits Rs.442.89 Lakh towards employee cost of SLDC.

3.4.8 Bank charges have been considered as projected by WBSETCL. The Commission has not considered the projected capital expenditure of Rs. 10.00 lakh for 2017-18 in the ARR as such expenses are not in the nature of revenue expenditure. The interest, depreciation, return, etc., as admissible will be considered in ARR after capitalization of such expenses in assets and put into operation.. The Commission now admits the SLDC charges for the year 2017-18 at Rs.879.02 lakh, as follows:

Rs. in lakh		
Sl. No.	Particulars	2017-18
1	ULDC tariff charges	341.11
2	Operation & Maintenance	94.92
3	Employee cost	442.89
4	Bank charges	0.10
	<b>Total Expenditure</b>	<b>879.02</b>

3.4.9 The amount of Rs.879.02 Lakh is deducted from the ARR of WBSETCL for the purpose of deriving at fixed cost for transmission function. The other incomes of SLDC for Rs.685.45 Lakh for the year 2017-18 along with the SLDC charge received from licensees shall be kept under the disposal of SLDC under WBSLDC-FUND as per the provisions of WBERC (Miscellaneous Provisions) Regulations, 2013 to meet its expenses. WBSETCL shall submit the audited



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accounts of WBSELDC-FUND to the Commission within 30<sup>th</sup> November of succeeding year.

**3.5 Interest on borrowed capital:**

3.5.1 WBSETCL has projected the interest on borrowed capital as Rs. 34981.48 lakh, chargeable to revenue for 2017-18 after adjustment of capitalization for the year. The above projection also includes interest on normative debt for Rs.4921.51 Lakh. WBSETCL has submitted the loan wise details in Form – C to annexure – 1 in Volume-II of their petition. Admissibility of interest on normative debt in the tariff order for the fifth control period is being addressed separately in the paragraph 3.5.2 below. The Commission admits the entire amount of Interest claimed on capital account with a proportionate adjustment in the fresh drawal for new projects keeping in tune with the assetization of Capital Expenditure with consequent adjustment in capitalization of Interest against the proposed amount. Interest on fresh loan from NABARD was considered as Rs.7888.24 Lakh for 2017-18 and the Commission on the basis of assetization considered adjusting it proportionately to the tune of Rs.4655.54 Lakh for upcoming projects Rest of the interest on borrowed capital has been considered as claimed by WBSETCL in 2017-18. Thus the Commission admits Rs. 27403.51 Lakh as interest on capital account on borrowed capita for 2017-18.

Rs. in lakh

Interest on Capital Borrowing for 2017-18

ITEM	AS Claimed by WBSETCL	AS Admitted by WBERC
Interest on borrowing	38416.45	35183.75
Less Interest on Pension Bond	1836	1836
Net Capital Borrowing	36580.45	33347.75
less Capitalised	6520.47	5944.24
<b>Interest on Capital Borrowing Charged to Revenue</b>	<b>30059.98</b>	<b>27403.51</b>
Interest on Normative Debt	4921.51	Nil



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### **3.5.2 Interest on Normative Debt:**

WBSETCL has claimed Rs. 4921.51 lakh as interest on normative debt for the year 2017-18 based on their projection of addition to fixed assets during the respective years. The Commission noted that total actual addition to borrowed capital for capital works during the years 2007 – 2008 to 2017-18 is Rs.372827.28 Lakh while the addition to asset during the same period net of consumer contribution is 480569.03 Lakh. It implies that the additional assetization has been financed to the tune to 78% by Loan capital. Thus in line with Reg.5.4.2 no Normative Debt is admitted and consequently no interest on normative debt is, thus, admissible during the year 2017-18 under fifth control period Vide Annexure 3D.

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

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

To take care of the unfunded liability towards staff terminal benefits on actuarial determination, 8.5% Bonds were issued and the amount pertaining to WBSETCL was considered as Rs 27000.00 lakh in Schedule A to the West Bengal Power Sector reforms Transfer Scheme, 2007, the annual interest charge on those Bonds comes to Rs 1836.00 lakh for 2017-18 considering repayment from 2016-17 Rs.5400.00 Lakh as projected by WBSETCL in their C form along with the Tariff Petition for 2017-18. The Commission admits such interest cost as proposed Rs.1836.00 Lakh.

### **3.6 Interest on Working Capital:**

3.6.1 WBSETCL has projected the claim for interest on working capital for the fifth control period as under:



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Particulars	Rs. in lakh
	2017-18
Interest on working capital	1566.92

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

3.6.3 The Commission admits Rs. 1189.20 Lakh towards interest on working capital for 2017-18:

Particulars	Rs. in lakh Admitted
A. Gross Sales	128872.78
B1. Less: Depreciation	22341.38
B2. Less: Deferred Revenue Expenditure	
B3. Less: Return on Equity	35492.23
B4. Less: Reserve for Unforeseen Exigencies	
B. Total deductions: (sum B1:B4)	57833.60
C. Allowable Gross Sales for Working Capital (A-B)	71039.18
D. Allowable Working Capital @18% on C	12787.05
E. Interest at State Bank Base rate (9.30%) or at actual rate of borrowing (9.65), whichever is less	1189.20

**3.7 Other Finance charges:**

3.7.1 The other finance charges in Form 1.17( c ), as projected by WBSETCL are as follows:



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Rs. in lakh

<b>Particulars</b>	<b>2017-18</b>
(i) Guarantee Commission	9.60
(ii) Bank charges	1.63
(iii) Stamp duty registration fee	Nil
(iv) Service fee/Commitment charges	22.10
(v) Arrangers' fee on market bonds	nil
<b>Total</b>	<b>33.33</b>

3.7.2 The Commission admits the projected claim of WBSETCL Rs.33.33 Lakh in 2017-18.

**3.8 Depreciation:**

3.8.1 The amounts of depreciation, as computed by WBSETCL and claimed by them in their application, is as follows:

<b>Year</b>	<b>Rs in lakh</b>
2017-2018	25005.20

3.8.2 WBSETCL has projected addition of fixed assets valuing Rs 129411.06 lakh in 2017-2018 by way of transfer from capital works-in-progress. The chargeable depreciation with such capitalization programme involving considerable amounts cannot be precisely determined. The chargeable depreciation, in such a case, may vary on account of the variations in the amounts of year wise planned capitalization with the dates of putting the assets in commercial operations as well as net of retirement of assets during the year. Depreciation has been considered based on CAGR of assetization as explained at paragraph 3.8.3 below.

3.8.3 Depreciation has been calculated on opening depreciable assets and fifty percent of asset addition during the year considering time scale of asset addition. In absence of any specific and convincing details about the assetization which is



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for 16-17 Rs.109269.27 Lakh and for 17-18 Rs.129411.06 Lakh projected by WBSETCL vis-a-vis trend during fourth control period, the Commission computed the CAGR of actual assetization during the period 2012-13 to 2015-16 and applied the CAGR 11% on the actual of 2015-16 for Rs. 61989.13 lakh to arrive at the projection for 2016-17 and in turn again on 2017-18 consequentially which comes to Rs.68807.93 Lakh and Rs. 76376.80 Lakh respectively. On the basis of this recalculated asset addition, the Commission admits depreciation for an amount of Rs. 22341.38 Lakh in 2017-18 to meet their obligation for loan repayment. However, WBSETCL is directed to submit depreciation rate wise addition of Fixed Assets in detail while submitting APR for the year 2017-18. For Detailed computation of depreciation has been placed in Annexure 3E.

**3.9 Advance against Depreciation:**

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

3.9.2 The original amount of loan vis-à-vis repayment projected during 2017-18 shown by WBSETCL in their petition are reproduced in the table below:

Sl. No.	Particulars	Rs. in lakh	
		Projected amount of original loan 2017-18	Amount of repayment projected 2017-18
1	WBSETCL Bonds (9.75%)	18300.00	1830.00
2	WBSETCL Bonds 2011 (10.29%)	25000.00	0
3	PFC Ltd (10.50%)	36278.00	0
4	RECL (11.50%)	89707.03	5702.22
5	L.I.C.I (10.10%)	16365.00	1231.22



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6	NABARD Bank (10.40%)	53968.00	2702.65
7	Allahabad Bank (11.20%)	20000.00	1668.00
8	ICICI Bank (11.85%)	9000.00	1000.00
9	Govt. of W.B.(8.50%)	117195.00	4850.50
	<b>Total</b>	<b>385813.03</b>	<b>18984.59</b>

3.9.3 The Commission now considers the depreciation as admitted in this order and repayment of loan as admitted for arriving at the admissible amount of advance against depreciation for the years 2017-2018.

3.9.4 The actual admissible amount of advance against depreciation for 2017-18 is worked out as under:

		Rs. in lakh
Sl. No.	Particulars	2017-18
(i)	Repayment of loans during the year	18984.59
(ii)	1/10 <sup>th</sup> of the Principal amount of loan as projected	38581.30
(iii)	Maximum permissible amount of loan repayment restricted to 1/10 <sup>th</sup> of original principal loan amount	18984.59
(iv)	Depreciation admitted	22341.38
(v)	Amount allowable for Advance against depreciation [(iii)-(iv)]	----

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

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

3.10.1 The intra-state transmission system comprising of two numbers of 400 KV and three numbers of 220 KV lines terminating at Jeerat, Arambag, Gokarna, Satgachia and Durgapur respectively constructed by the West Bengal Power Development Corporation Limited (WBPDC) along with its Bakreswar Power Station, form an integral part of the transmission system being operated by WBSETCL. The annual fixed charges of the assets comprising of interest,





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depreciation and return on equity, as admitted in paragraph 5.17.1 of the tariff order for WBPDCCL for the year 2016-17 in case no. TP-59/2013-14, are found as under:

Particulars	Rs in lakh
	2017-18
(a) Depreciation	1158.16
(b) Interest on borrowed capital	309.37
(c) Return on equity	1439.58
<b>Total</b>	<b>2907.11</b>

3.10.2 In case no.OA-48/08-09 in Other application made by WBPDCCL for the approval of the completion cost of the Bakreswar Transmission System and for recovery of the balance fixed cost the Commission allowed an amount of Rs.17691.49 Lakh to be recoverable as additional claims in para 2.(ii) and in para (iv) the methodology for recovery was stated to be directed through tariff order for 2009-10. In the Tariff Order for WBSETCL for the year 2009-10, it was directed that the amount is to be recovered through tariff and paid to WBPDCCL in 120 installments commencing from the billing month of August,2009 @ Rs.147.429 Lakh per month. Thus the Commission releases an amount of Rs.1769.148 Lakh for the year 2017-18. The Commission thus releases on the head of charges payable for Bakreswar Transmission System Rs.4676.26 (2907.11+1769.15) Lakh. WBSETCL needs to reimburse the above cost Rs.4676.26 Lakh to WBPDCCL.

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

3.11.1 WBSETCL has projected an amount of Rs. 16.00 lakh for the year 2017-2018 towards charges payable to ERPC.

3.11.2 It is observed from the annual reports and accounts for 2015-16 of WBSETCL that such charge was Rs. 16.00 lakh. Thus the Commission admits the amount of Rs. 16.00 lakh for the year of 2017-2018 as charges to ERPC.



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**3.12 Return on Equity:**

3.12.1 WBSETCL has projected equity base of Rs. 334637.06 lakh, at the beginning of the year 2017-18 under fifth control period and as per tariff petition addition to equity base of Rs. 49588.72 lakh, is proposed for the year 2017-2018. Net addition to the original cost of fixed asset during the year 2017-18 under fifth control period as projected by WBSETCL is Rs.129411.06 lakh, without showing deduction of contribution from consumers including advance on them as submitted by WBSETCL in Form 1.18 of Annexure – I in their petition. As already explained in paragraph 3.8, the Commission considers normative asset addition during the respective year. The asset addition considered by the Commission for 2017-18 is Rs.76376.80 Lakh applying actual CAGR of 11% based on actual assetization for the period 2012-13 to 2015-16 on the actual value of 2015-16 for Rs.61989.13 Lakh. The value of net asset as per WBERC (Terms and conditions of Tariff) (Amendment) Regulations 2013 para 5.1(f), has been computed prorating on the value of deposit work as projected by WBSETCL in Form 1.18. The value of deposit work is thus revised to Rs.5758.40 Lakh from Rs.9756.89 Lakh as estimated by WBERC considering proportionate adjustment based on assetization taken into account for 2017-18 as per principle explained above.. The net addition to fixed assets during the years of 2017-18 as considered by the Commission is Rs. 70618.40 lakh. On the basis of the information furnished by the licensee, the allowable return on average admissible equity base for the year 2017-18 under fifth control period is computed as follows:

Sl No	Particulars	Admitted in 2017-2018 (Rs. in lakh)
1	Actual Equity base at the beginning of the year	
	Share Capital	110552.00
	Free Reserve	224085.07
	<b>sub-total</b>	<b>334637.07</b>
2	Admissible equity base at the beginning of the year	218389.36



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3	Addition to equity base during the year	49588.72
4	Addition to fixed asset during the year	70618.40
5	Normative addition to equity (30% of SI 4)	21185.52
6	Amount to be considered for equity (lower of 3 & 5)	21185.52
7	Admissible equity base at the end of the year(2+6)	239574.88
8	Average admissible equity base (2+7)/2	228982.12
9	Rate of Return (15.50%) on SI 8	35492.23

3.12.2 It is to be clarified that the equity bases admitted for allowing returns as shown in the referred annexure-3F are computed for the prospective years and therefore they need adjustments subsequently on the basis of the audited accounts. Such adjustments will be carried out at the time of APR for the concerned years.

**3.13 Tax payable under Income Tax Act:**

3.13.1 The taxes payable under the provisions of Income Tax Act claimed by WBSETCL for fifth control period 2017-18 is as under:

Particulars	Rs. in lakh
	2017-18
Income Tax	13015.06

3.13.2 If the profits of WBSETCL booked in their annual accounts remain at the level of returns being allowed by the Commission, it will require to pay Minimum Alternative Tax (MAT). Accordingly, the provisions for taxes payable under the provision of Income Tax Act are being allowed as under, subject to adjustment on assessment of tax and payments made on the basis of actual tax liability in the APR for the concerned years. The Commission admits Rs.7574.61 Lakh as 21.3416% MAT on ROE of Rs 35492.23 lakh as admitted for 2017-18 as explained at para 3.13 below.



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<b>Particulars</b>	Rs. in lakh
	<b>2017-18</b>
Allowable Returns	35492.23
MAT @ 21.3416%	7574.61

3.13.3 WBSETCL is directed to submit a comprehensive statement incorporating the amounts of (i) income tax provided in the annual reports and accounts, (ii) income tax assessed, (iii) income tax paid and (iv) income tax refunded, if any, supported by documentary evidences vide assessment orders, copies of challans, copies of refund orders year wise from the year 2014-2015 till date with their APR application for the years 2017-2018. In this respect, the provisions in the regulations 5.13.1 and 5.13.2 may be referred to.

**3.14 Special Allocation:**

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

Sl. No	Particulars	2017-18 (Rs. in lakh)
1.	Part Recovery of APR adjustment for 2011 – 2012	1490.42
2.	Part Recovery of APR adjustment for 2013 – 2014	1773.17
3.	Part Recovery of APR adjustment for 2014-2015	4504.10
4.	Part Recovery of APR adjustment for 2015-2016	1703.63
	<b>Total</b>	<b>9471.31</b>

3.14.2 The Commission in its order dated 9.9.2013 in case no, APR/32/12-13 on APR for the year 2011-12 has determined the net amount of Rs.4471.26 Lakh recoverable by WBSETCL from its system users. WBSETCL had filed an application on 7.11.2013 in case no APR(R)-4/13/14 for review of the order dated 9.9.2013 in case no APR/32/12-13. The Commission in its Review Order Dated



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10.6.2014 at paragraph 7.1 observed that the Revenue Recoverable after truing up as per the Annual Performance Review for WBSETCL remains unaltered..

3.14.3 Regarding the claim of WBSETCL on account of APR for 2013 – 2014, 2014-15 and 2015-16 in para 3.7.3 of the petition for Tariff 2017-18, against serial no. 2-4 above, the decision of the Commission will be given in the APR order for the concerned year. At present no amount is released against such claims related to the years 2013 – 2014, 2014-15 and 2015-16.

3.14.4 Considering the above Commission decides to allow the adjustment of Rs 4471.26 lakh, admitted as 'net recoverable by WBSETCL' by the Commission in its order dated 9.9.2013 in case no. APR/32/12-13. The adjustment of Rs.4471.26 lakh will be carried out in chapter-4 of this order.

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

3.15.1 Incomes from other non-tariff sources, including interest from fixed deposits and bank balances, as projected by WBSETCL in Form 1.26 of the tariff petition was Rs. 2454.32 lakh. But subsequently through Memo. No. Dir(Op)/WBSETCL/RAC/2(IV)/92 Dated 8.6.2017, WBSETCL revised the amount on account of incomes from other non-tariff sources which are as under:

**Rs in lakh**

Sl. No.	Particulars	As Claimed 2017-18
1	Income from investment and bank balance	921.30
2	Interest on balance of reserve for unforeseen exigencies	688.81
3	Other income	924.46
	<b>Total</b>	<b>2534.57</b>
4	Less: Interest on balance of reserve for unforeseen exigencies	688.81
	<b>Total</b>	<b>1845.76</b>



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3.15.2 The commission admits the amount projected by WBSETCL as Income from Non Tariff Sources.

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

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

<b>Particulars</b>	<b>2017-18 (Rs. in lakh)</b>
Income from STOA charges	6342.04

3.16.2 Considering the annual reports and accounts for the year 2015-2016 the Commission admitted the amounts as claimed by WBSETCL towards 'income from STOA charges' for the years 2017-2018.

**3.17 Interest Credit:**

3.17.1 WBSETCL has not claimed any amount for the years 2017-2018 towards 'interest credit' under fifth control period.

3.17.2 In terms regulation 5.5.3 of the Tariff Regulations, where the actual amount of loan repayment in any year is less than the amount of depreciation admitted by the Commission, an interest credit at the rate of weighted average cost of debt is provided on such excess depreciation charged. For the purpose of calculation the weighted average cost of borrowed capital for 2017-18 on outstanding loan as projected by WBSETCL has been considered after proportionate adjustment of proposed loan against upcoming projects from NABARD in the ratio of assetization as explained earlier and accordingly interest credit has been



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computed applying such rate of weighted average cost of borrowed capital i.e. outstanding loan on the amount of excess depreciation as detailed below.

SI. No	Particular	Rs. Lakh
		2017-2018
1	Depreciation allowed under paragraph 3.8	22341.38
2	Repayment of loan vide paragraph 3.9	18984.59
3	Excess depreciation admitted	3356.79
4	Weighted average cost of debt in 2017-18	10.93%
5	Interest credit admitted by the Commission on excess depreciation	367.00



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## ANNEXURE – 3A

Monthly Rate of Inflation in CPI number for Industrial Worker (%)													
Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	March	Average
2011-12	9.41	8.72	8.62	8.43	8.99	10.06	9.39	9.34	6.49	5.32	7.57	8.65	8.42
2012-13	10.22	10.16	10.05	9.84	10.31	9.14	9.60	9.55	11.17	11.62	12.06	11.44	10.43
2013-14	10.24	10.68	11.06	10.85	10.75	10.70	11.06	11.47	9.13	7.24	6.73	6.70	9.72
2014-15	7.08	7.02	6.49	7.23	6.75	6.30	4.98	4.12	5.86	7.17	6.30	6.28	6.30
2015-16	5.79	5.74	6.10	4.37	4.35	5.14	6.32	6.72	6.32	5.91	5.53	5.51	5.65
2016-17	5.85	6.59	6.13	6.46	5.30	4.14	3.35	2.59	2.23	1.86			4.45

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

WPI FROM OFFICE OF ECONOMIC ADVISOR , GOI												
Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
2011-12	152.10	152.40	153.10	154.20	154.90	156.20	157.00	157.40	157.30	158.70	159.30	161.00
2012-13	163.50	163.90	164.70	165.80	167.30	168.80	168.50	168.80	168.80	170.30	170.90	170.10
2013-14	171.30	171.40	173.20	175.50	179.00	180.70	180.70	181.50	179.60	179.00	179.50	180.30
2014-15	180.80	182.00	183.00	184.60	185.70	185.00	183.70	181.20	178.70	177.30	175.60	176.10
2015-16	176.40	178.00	179.10	177.60	176.50	176.50	176.90	177.50	176.80	175.40	174.10	175.30
2016-17	177.80	180.20	182.90	184.20	183.30	183.20	182.90	183.10	183.20	184.60	185.50	

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

MONTHLY INFLATION RATE COMPUTED BASED ON WPI FROM OFFICE OF ECONOMIC ADVISOR, GOI (%)													
Year	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Average
2011-12	9.74	9.56	9.51	9.36	9.78	10.00	9.87	9.46	7.74	7.23	7.56	7.69	8.96
2012-13	7.50	7.55	7.58	7.52	8.01	8.07	7.32	7.24	7.31	7.31	7.28	5.65	7.36
2013-14	4.77	4.58	5.16	5.85	6.99	7.05	7.24	7.52	6.40	5.11	5.03	6.00	5.98
2014-15	5.55	6.18	5.66	5.19	3.74	2.38	1.77	0.00	0.11	-0.39	-2.06	-2.33	2.15
2015-16	-2.65	-2.36	-2.40	-4.05	-4.95	-4.54	-3.81	-1.99	-0.73	-0.90	-0.91	-0.85	-2.51
2016-17	0.34	0.79	1.62	3.55	3.74	3.57	3.39	3.15	3.39	5.25			2.88

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





**ANNEXURE – 3B**

**TABLE – I**

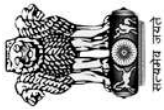
ANNUAL ACTUAL FIGURE OF DIFFERENT BUSINESS PARAMETERS OF WBSETCL HAVING IMPACT ON TARIFF												
Sl No	Particulars	Units	Inflationary Basis	Sensitivity Parameter & degree of sensitivity	2012-13	2013-14	2014-15	2015-16	2016-17 (Estimated by WBSETCL)	2016-17 (Estimated by WBERC)	Projected by ERC for 2017-18	Projected by TCL for 2017-18
1	Total line-length on 31st March	CKM			11445	11951	12043	12573	13871	12950.19	13338.70	14624
2	Increase in line length in relation to last year (ratio)				1.04	1.04	1.01	1.04	1.10	0.03	0.03	1.05
3	Repair & Maintenance Expenditure	Rs Lakh	WPI+CPI	CKM	<b>3175.58</b>	<b>3826.98</b>	<b>4709.39</b>	<b>4779.76</b>	5506.42	<b>5104.88</b>	5430.20	6232.37
4	- Rent	Rs Lakh	WPI+CPI	CKM	80.42	68.62	100.03	151.6	174.65	<b>161.91</b>	171.32	197.67
5	- Auditors Fees	Rs Lakh	WPI+CPI	CKM	55.4	46.89	41.19	48.25	55.59	<b>51.53</b>	53.34	62.92
6	- Legal Charges	Rs Lakh	WPI+CPI	CKM	2.34	7.17	8.42	55.51	63.95	<b>59.29</b>	62.73	72.39
7	- Others Administrative and General Expenses	Rs Lakh	WPI+CPI	CKM	1005.76	1873.11	1764.97	1719.34	1955.63	<b>1836.29</b>	1876.69	2191.68
8	Total Administrative & General Expenses(4+5+6+7)	Rs Lakh			1143.92	1995.79	1914.61	1974.7	2249.82	2109.02	2164.09	2524.66
9	Total O&M Function Expenses (3+8)	Rs Lakh			4319.50	5822.77	6624.00	6754.46	7756.24	7213.89	7594.29	8757.03
10	Rates & Taxes	Rs Lakh	Average of 13-14 to 15-16	CKM	109.54	123.71	133.68	126.17	132.87	126.17	127.08	139.92
11	Insurance	Rs Lakh	WPI+CPI	CKM							0.00	
12	Security Expenses	Rs Lakh	CPI	CKM	1394.45	1610.86	1777.96	1716.67	1977.65	<b>1850.13</b>	1891.03	2238.37
13	Vehicle Hiring	Rs Lakh	WPI+CPI	CKM	573.42	677.37	708.51	719.83	829.26	<b>768.79</b>	817.79	938.59



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TABLE - II

Sl No	Particulars	Units	Inflationary Basis	Sensitivity Parameter	CAGR (%) between			Average Inflation Rate during the Concerned period in %	Whether Inflation rate is applicable	Additional Growth Rate of exp above inflation rate	Ratio of Exp increase to sensitivity parameter {limited to 1}	Escalation rate for 2017-18
					2015-16 to 2016-17	2014-15 to 2016-17	2013-14 to 2016-17					
1	Total line-length increase				0.03	0.04	0.03					
3	Repair & Maintenance	Rs Lakh	WPI+CPI	CKM	0.07	0.04	0.10	0.03	Yes	0.01	1.00	0.06
4	- Rent	Rs Lakh	WPI+CPI	CKM	0.07	0.27	0.33	0.02	Yes	0.05	1.00	0.06
5	- Auditors Fees	Rs Lakh	WPI+CPI	CKM	0.07	0.12	0.03	0.04	No	-0.01	1.00	0.04
6	- Legal Charges	Rs Lakh	WPI+CPI	CKM	0.07	1.65	1.02	0.02	Yes	0.05	1.00	0.06
7	- Others Administrative and General Expenses	Rs Lakh	WPI+CPI	CKM	0.07	0.02	-0.01	0.03	NO	-0.01		0.02
8	Total Administrative & General Expenses(4+5+6+7)	Rs Lakh								0.00		
9	Total O&M Function Expenses (3+8)	Rs Lakh								0.00		
10	Rates & Taxes	Rs Lakh	WPI+CPI	CKM	0.01	-0.03	0.01	0.04	NO	-0.03		0.01
11	Insurance	Rs Lakh	WPI+CPI	CKM	0.00	0.00	0.00	0.00		0.00		
12	Security Expenses	Rs Lakh	CPI	CKM	0.08	0.02	0.05	0.05	NO	-0.03		0.02
13	Vehicle Hiring	Rs Lakh	WPI+CPI	CKM	0.07	0.0417	0.0431	0.03	Yes	0.02	1.00	0.06



## ANNEXURE – 3C COMPUTATION OF EMPLOYEE COST

Particulars	As per WBSETCL			As per WBERC	
	2015-16	2016-17	2017-18	2016-17	2017-18
Basic	5752.52	7211.34	8471.82	5837.026	5984.42
DA	6863.07	8603.53	10107.34	6946.061	8318.344
Other Allowances	1431.57	1794.61	2108.29	1452.6	1489.281
Retirement Benefit	2994.4	3337.51	3485.98	3127.607	3266.739
Bonus , Ex-gratia, LTC etc.	3033.22	3802.45	4467.08	2988.135	2974.359
Total Employee Cost before capitalization	20074.780	24749.44	28640.51	20351.43	22033.14
Less : Capitalized	3022.240	3788.67	4450.9	3063.89	3304.97
<b>Total Employee cost</b>	<b>17052.54</b>	<b>20960.77</b>	<b>24189.61</b>	<b>17287.54</b>	<b>18728.17</b>
.					
Retirement benefit					3266.74
Salary and Wages (including allowances)					15461.43



**ANNEXURE – 3D**  
**YEAR WISE ADDITION TO LOAN AND ADDITION TO**  
**FIXED ASSET NET OF DEPOSIT WORK**

Particulars	2007-08	2008-09	2009-2010	2010-2011	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	TOTAL
Capital Borrowing (A)												
Addition to Loan during the Year	29249.00	23427.00	54041.00	11443.47	38650.84	6309.37	18113.73	38655.02	45822.66	47555.39	59559.8	372827.28
Fixed Asset (B)												
Addition during the Year	0	32637.1	70342.68	24742.55	23698.70	45400.13	42158.59	51887.45	61989.13	68807.93	76376.80	
Retirement/Adjustment during the Year							1.75	2178.41	928.08			
Deposit Received during the Year						597.48	2021.69	0	3765.37	5329.09	5758.40	
Actual Addition to Asset Net of consumer Contribution	0.00	32637.10	70342.68	24742.55	23698.70	44802.65	40135.15	49709.04	57295.68	63478.84	70618.40	477460.79



## ANNEXURE – 3E DEPRECIATION

Rs. in Lakh

Particulars	Classification of Assets based on depreciation rate										TOTAL				
	1.80%	2.57%	3.60%	6%	12.85%	18%	100%								
Rate of depreciation															
Asset as on 1.04.2016	33235.64	309709.61	255198.36	14464.37	472.41	729.95	0	613810.34							
Addition during 16-17 as per WBSETCL	0	49764.97	51900.25	6675.99	0	0	0	108341.21							
Addition admitted by WBERC	0	31605.93	32962.05	4239.95	0	0	0	68807.93							
Admitted asset as on 31.03.2017(1+3)	33235.64	341315.54	288160.41	18704.32	472.41	729.95	0	682618.27							
Addition during 17-18 as per WBSETCL	0	52476.12	67345.86	9589.05	0	0	0	129411.03							
Addition considered by WBERC	0	30970.76	39746.70	5659.34	0	0	0	76376.8							
Depreciation on opening asset (on 4)	598.24	8771.81	10373.77	1122.26	60.70	131.39	0.00	21058.18							
Depreciation on 50% of asset addition admitted (on 6)	0.00	397.97	715.44	169.78	0.00	0.00	0.00	1283.20							
Total admitted Depreciation for 2017-18(7+8)	598.24	9169.78	11089.22	1292.04	60.70	131.39	0.00	22341.38							



**ANNEXURE – 3F**  
**CALCULATION OF ADMISSIBLE EQUITY BASE AT THE**  
**BEGINNING OF THE YEAR 2017-18**

Ref.	Particulars	Previous Years					Base Year Estimated 2016-2017	Ensuang Year Admitted 2017-2018
		Four	Three	Two	One			
		APR 2012-2013	Actuals 2013-2014	Actuals 2014-2015	Actuals 2015-2016	Actuals 2016-2017		
		Rs in Lakh						
1	Actual Equity base at the beginning of the year							
	Share Capital	110552	110552	110552	110552	110552	110552	
	Free Reserve	63006.42	85664	121419.7	146084.28	187474.76	224085.07	
	<b>sub-total</b>	173558.42	196216	231971.7	256636.3	298026.76	334637.07	
2	Admissible equity base at the beginning of the year	141763.08	155203.7	167244.3	182157	199345.7	218389.36	
3	Addition to equity base during the year	33302.32	34651.37	24664.56	41390.48	36610.31	49588.72	
4	Addition to fixed asset during the year	44802.21	40135.15	49709.04	57295.68	63478.84	70618.40	
5	Normative addition to equity (30% of Sl 4)	13440.663	12040.55	14912.71	17188.7	19043.652	21185.52	
6	Amount to be considered for equity (lower of 3 & 5)	13440.663	12040.55	14912.71	17188.7	19043.652	21185.52	
7	Admissible equity base at the end of the year(2+6)	155203.743	167244.3	182157	199346	218389	239574.88	
8	Average admissible equity base (2+7)/2	148483.4115	161224	174700.6	190751.4	208867.53	228982.12	
9	Rate of Return (15.50%) on Sl 8	23014.92878	24989.72	27078.6	29566.46	32374.467	35492.23	



## CHAPTER - 4

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

- 4.1 Based on the analyses and findings recorded in the foregoing chapters, the statements of Aggregate Revenue Requirements are drawn separately for the year 2017 – 2018. Such summarized statements are given in Annexure 4A to this chapter.
- 4.2 As may be seen in the aforesaid Annexure, the amounts of Aggregate Revenue Requirement of WBSETCL for Transmission functions for the year 2017 – 2018 are Rs. 120733.70 lakh.
- 4.3 The Commission is now to adjust the amount recoverable by WBSETCL in respect of different APR orders and review orders, as narrated in the preceding chapter under paragraph 3.14.1 to 3.14.4 to the tune of Rs. 1490.42 lakh for the year 2017 - 2018. Accordingly, the amount recoverable by WBSETCL after adjustment of special allocation as mentioned above during the year 2017 – 2018 is given below:

SI No	Particulars	Amount (in Rs Lakh)
1	Amount determined in ARR as per Annexure-4	120628.16
2	Amount adjusted as per paragraphs 3.14.1 to 3.14.4	4471.26
3	Amount recoverable through tariff for the year 2017 - 2018	125099.42

- 4.4 The Commission is now to determine the rates for recovery of transmission charges from the different categories of system users for the year 2017 – 2018 and that is being done in the next chapter.



**ANNEXURE – 4A  
AGGREGATE REVENUE REQUIREMENT FOR  
THE YEARS UNDER FIFTH CONTROL PERIOD**

Sl. No.	PARTICULARS	As projected by WBSETCL	As admitted by the Commission
		2017 - 2018	2017 - 2018
1	Employee Cost including terminal benefit	24189.63	18728.17
2	Operation & Maintenance (O&M) Charges		
	(a) Repairs and Maintenance including consumables	6232.37	5430.20
	(b) Administrative & General Charges		
	(i) Rent	197.67	171.32
	(ii) Legal charges	72.39	62.73
	(iii) Audit fees / Expenses	62.92	53.34
	(iv) Other Administrative & General Expenses	1952.92	1637.93
	(v) Security charges	2238.37	1891.03
	(vi) Vehicle charges	938.59	817.79
	Total (2)	11695.23	10064.34
3	Insurance Premium	0.00	0.00
4	Rates & Taxes	139.92	127.08
5	Licensee / Filing Fees	238.76	238.76
6	Interest and Finance Charges		
	(a) On capital borrowings	34981.48	27403.51
	(b) On bonds for terminal benefits to employee	1836.00	1836.00
	(c) On working capital	1566.92	1189.20
	(d) Other Finance charges	33.33	33.33
	(e) Interest on Normative Debt	0.00	0.00
	Total (6)	38417.73	30462.04
7	Depreciation	25005.20	22341.38
8	Advance against Depreciation	1281.44	0.00
9	Taxes payable under Income Tax Act	13015.06	7574.61
10	Returns on equity	39163.58	35492.23
11	Fixed Charges Payable to WBPDCI for Bakreswar Tr. System	4910.07	4676.26
12	Charges payable to ERPC	16.00	16.00
13	ULDC Charges	341.11	341.11
14	Permitted Incentive	253.07	0.00
15	<b>Gross Revenue Requirement (1 to 14)</b>	<b>158666.80</b>	<b>130061.98</b>
16	Less: Deduction for-		
	(a) Income from other non-tariff sources	2454.32	1845.76
	(b) STOA Charges	6342.04	6342.04
	(c) Interest Credit	0.00	367.00
	(d) SLDC Expenses	1569.60	879.02
	Total (16)	10365.96	9433.82
17	<b>Aggregate Revenue Requirement for the year 2017-18 [15-16]</b>	<b>148300.84</b>	<b>120628.16</b>





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## CHAPTER - 5 TARIFF ORDER

### DETERMINATION OF THE RATE FOR RECOVERY OF TRANSMISSION CHARGES FOR THE YEAR 2017 – 2018

- 5.1 In the previous chapter the Commission has determined the Aggregate Revenue Requirement (ARR) for 2017 – 2018 for transmission system of WBSETCL. The Commission is now to fix the rate for recovery of the same from the transmission system users during the year 2017 – 2018 in accordance with the provisions of paragraph 6 in the Schedule-3 of the Tariff Regulations. It is, however, to mention here that WBSETCL has got no variable cost to recover from its system users besides the fixed charges as admitted by the Commission in the Statement of Aggregate Revenue Requirement.
- 5.2 As per the submissions of WBSETCL, at present WBSEDCL is the sole long-term user of its transmission network and some other agencies use the same on short term basis on casual requirements. But from 1<sup>st</sup> May, 2016, CESC Limited has become user of the transmission system as Intra-State long term open access user upto the period of 9<sup>th</sup> February, 2040 for transmission of Haldia Energy Limited's power to the tune of 150 MW allotted capacity from Subhasgram 400 kV sub-station of Power Grid Corporation of India Limited to Kasba and Howrah interconnecting points with WBSETCL's system in terms of WBERC (Open Access) Regulations, 2007. It is also submitted by WBSETCL that presently CESC Limited is being charges with monthly transmission charges as determined by the Commission.
- 5.3 In regard to the transmission charges payable by the licensees or the open access customers, the computations are to be based on the capacity allocated to each beneficiary based on average of daily peak demand on annual basis.



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**Tariff Order of WBSETCL for the year 2017 – 2018**

WBSEDCL in their Tariff petition has projected the maximum value of average daily peak demand as 6171 MW. In absence of any specific allotment of long-term capacity for WBSEDCL, the Commission considers the 6171 MW as contracted long-term capacity for WBSEDCL for the year 2017 - 2018. Hence the total long-term allocated transmission capacity during the year 2017 – 2018 has been considered as 6321 MW (for WBSEDCL 6171 MW and CESC 150 MW). The Commission considers to arrive at the unit rate of recovery of transmission charges taking into account the figure of 6321 MW for 2017 – 2018, as admitted by the Commission. Such recoverable charges are to be expressed in Rs./MW/month for the long-term customers and in Rs./MW/day for short-term customers on the basis of MW to be served by the system. The unit rate of recovery of transmission charges during 2017 – 2018 from the transmission system users, thus, work out as under:

i)	Recoverable ARR	Rs. 125099.42 lakh
ii)	Average System Demand on the basis of average of the daily peak	6321 MW
iii)	Rate for long-term users	Rs. 125099.42 lakh/ (6321 MW x12) = Rs. 1,64,925.67 / MW / month subject to adjustment as per regulation 9.2 of Schedule 3 of the Tariff Regulations.

Provided that the rates for short-term customers are to be determined as per the relevant provisions of West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007 as amended and to be uploaded at the website of SLDC within 5 days from issuance of this order.

- 5.4 Accordingly WBSETCL will claim Transmission charges of Rs. 122130.76 lakh (Rs. 164925.67x6171x12) from WBSEDCL and Rs. 2968.66 lakh (Rs. 164925.67x150x12) from CESC during the year 2017-18.



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**Tariff Order of WBSETCL for the year 2017 – 2018**

- 5.5 The tariff for 2017 – 2018 shall be applicable from the billing month of / pertaining to April, 2017 and continue till further tariff order is issued. Adjustments, if any, for over recovery / under recovery for the period from 01.04.2017 to 30.06.2018 from the system users shall be made in eight (8) equal monthly installments from July 2018 onwards.
- 5.6 For Bakreswar transmission system of WBPDC, the payable amount during 2017 – 2018 is Rs. 4676.26 lakh. Any adjustment between the payable amount of Rs. 4676.26 lakh for the year 2017 – 2018 and the amount paid by WBSETCL for the year 2017 – 2018 on account of Bakreswar transmission system shall be made by WBSETCL to WBPDC in two equal monthly installments from the next month of issue of this order.
- 5.7 SLDC shall, in terms of sub-section (3) of section 32 of the Electricity Act, 2003 and the provisions of the West Bengal Electricity Regulatory Commission (Miscellaneous Provisions) Regulation, 2005, as amended, continue to levy every month the SLDC charges at the existing rate @ 0.5 paise/kWh from the licensees using intra-state transmission system in the State of West Bengal, on their implemented schedule(s) of injection of power into the grid or on the quanta of electricity transmitted, as the case may be.
- 5.8 The realizations of the revenue from its transmission system users are supposed to meet the Aggregate Revenue Requirement (ARR) of WBSETCL. The recovery of such revenue over the concerned year on piecemeal basis may result in under or over recovery of the total amount of fixed charges. It is, therefore, stipulated that the amount of any such under or over recovery will be dealt with suitably in the APR for the concerned year.



***Tariff Order of WBSETCL for the year 2017 – 2018***

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- 5.9 WBSETCL is directed to submit the audited annual accounts of SLDC for the year 2017 – 2018 clubbed with a statement showing item wise and head wise actual expenses along with their application of APR for the concerned year.
- 5.10 WBSETCL shall present to the Commission a gist of this order in accordance with the regulation 2.9.6 of the Tariff Regulations within three working days from the date of receipt of this order for approval of the Commission and on receipt of the approval shall publish the approved gist in terms of the aforesaid regulation within four working days from the date of receipt of the approval of the Commission.



## CHAPTER - 6 DIRECTIONS

- 6.1 The Commission has given some direction in different paragraphs in Chapter-3 of this order while determining the fixed cost of WBSETCL. WBSETCL shall comply with those directions. WBSETCL shall also comply with the following directions:
- 6.2 In the notes of Financial statement of Annual Accounts of 2017-18 and onward or through Auditor's Certificate, the following information is to be provided by WBSETCL in a manner as described below:
- The penalty, fine and compensation under Electricity Act 2003 shall also be shown separately for transmission function.
  - Any fine, penalty or compensation in any other statute other than Electricity Act 2003 shall be mentioned separately for transmission function along with the reference of the statute.

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

- 6.3 While submitting APR application of any ensuing year WBSETCL shall submit the certificate from the auditor of the annual accounts of the said year for the following parameters:
- Based on fixed asset register the parameters to be submitted are:
    - Transmission Line length in CKM for each level of Voltage related to the asset of WBSETCL, mentioning the conductor type. For the asset which is not owned by the WBSETCL but maintained by WBSETCL shall be shown separately.



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**Tariff Order of WBSETCL for the year 2017 – 2018**

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- ii) Similarly the number of transformers and total installed capacity of transformers in MVA or KVA for each category of transformers for transmission system are to be provided.
- iii) Similarly the voltage wise number of bays in each sub-station and the O&M cost of the each substation is to be given.
- b) List of expenditure arisen on account of penalty, fine and compensation due to non-compliance of any statute or statutory order along with the reasons for each such type of penalty, fine and compensation.
- c) A statement showing the manpower engaged in different field of activity which are now outsourced partly or fully vis-à-vis the manpower engaged from regular establishment against the respective field of activities.
- d) Copies of the audited accounts of all the funds related to different type of terminal benefit for the year for which APR is under consideration in a complete shape, not by any selective pages.
- e) A statement showing monthly deposition in different terminal funds for the year for which APR is under consideration pursuant to the direction given in paragraph 6.6 below.

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

- 6.4 In case of expenditure at a level higher than the admitted amount under any uncontrollable factor in this tariff order on account of fixed charges, while submitting APR application of any ensuing year WBSETCL has to justify in detail with supporting documents and evidence on the basis of which the Commission will take its decision during truing up exercise and it may be noted that without



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**Tariff Order of WBSETCL for the year 2017 – 2018**

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sufficient justification the excess expenditure may not be admitted in the APR fully or partly. Similarly for controllable factors, where applicable as per the Tariff Regulations, for the same reasons supporting documents and evidence is to be submitted to justify their claim. While triuing up any uncontrollable factor on account of fixed charges, the actual business volume parameter (Transmission line length and Transformation capacity) and actual inflation rate to which such uncontrollable item is sensitive will be considered in the same manner and principle as determined under the tariff order subject to the limitation as per the Tariff Regulations. However, where applicable as per this tariff order the ratio of expenses increase in % on any item and the sensitivity parameter increase will remain the same as that of this tariff order.

- 6.5 While submitting application for APR of 2017-18 and onwards by any licensee, if such application shows any net claim, then in such case the licensee shall suggest in specific terms the ensuing year(s) in which they intend to recover such claim and by what amount. Licensee shall also show the consequential impact of such recovery in the expected average cost of supply in those ensuing years after considering the total revenue recoverable through the tariff. The total revenue recoverable through the tariff means the summated amount of the Net Aggregate Revenue Requirement plus all other amount on account of any release of regulatory asset and APR for any year which is already decided by the Commission in earlier orders. They shall also mention the carrying cost, if necessary, where it is applicable in terms of the Tariff Regulations and different orders and direction in this respect. This consequential impact on tariff shall also be provided in the gist of the APR application.

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



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**Tariff Order of WBSETCL for the year 2017 – 2018**

- 6.6 In order to ensure that in future actuarial valuation of terminal benefit fund can be kept in control in a better way by avoiding carrying cost of such liability in future following directions are to be adhered.
- a) WBSETCL shall ensure that henceforth the amount that is statutorily required to be deposited in a month in different funds on account of terminal benefit, as a part of employee cost admitted in the tariff order, is to be deposited in different terminal benefit funds every month as a first charge item.
  - b) On the head of terminal benefit fund, if there is shortage in the deposit amount in the terminal benefit fund admitted in employee cost through this order, the balance amount of contribution to terminal benefit fund is required to be deposited as first charge item over and above what had already been deposited for the year 2017-18 and subsequent years, from the effective date of recovery of the recoverable amount against this order from the very first day. So, it is directed that the balance amount of contribution as discussed above to terminal benefit fund for the year 2017-18 and subsequent years, i.e., the difference between the amount of contribution to terminal benefit funds as allowed in this order as a part of employee cost and that has already been deposited and that to be deposited in the fund for the year 2017-18 and subsequent years, is to be deposited in the respective different terminal benefit funds. Such balance amount is to be deposited in different terminal benefit funds in 2 (two) monthly equal installments from the date on which the recovery through tariff against this order will start.
  - c) While submitting application for APR of 2017 – 2018, WBSETCL shall show through audited accounts of different terminal benefit funds that the contribution to the different terminal benefit funds during the concerned year as a part of employee cost is deposited in the terminal benefit funds.





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**Tariff Order of WBSETCL for the year 2017 – 2018**

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- In case of non-deposition of amount admitted for terminal benefit fund as provided in (a) to (c) above in the respective fund as directed above, Commission may withhold or deduct same amount equivalent to that non-deposition amount.
- 6.7 WBSETCL shall furnish the details of the capital investments made in transmission system during the last 10 years along with the APR application for the year 2017-18. WBSETCL shall also submit the benefits achieved with implementation of such capital investment vis-à-vis benefits projected during taking up such investments. In case of non submission of the above information the application of APR will not be admitted.
- 6.8 WBSETCL along with their application of APR for 2017 – 2018 shall submit the followings:
- a) Plan to improve efficiency level within specific time line.
  - b) Plan to use the assets during idle hours to increase the revenue.
- 6.9 While submitting application of APR for the year 2017 – 2018 and onwards, WBSETCL shall have to submit the followings through affidavit.
- a) That no expenditure has been claimed by WBSETCL through the APR petition on employee or infrastructure or any other support or O&M activity pertaining to any other business of WBSETCL not in relation to their licensed business.
  - b) The list of cases related to Tariff and Annual Performance Review (APR) filed or applied for filing in Court of Law but the notices have not yet been served to the Commission.
- 6.10 All the reports called for in this chapter are in addition to what are statutorily required to be submitted, either by the Act, or by any of the Regulations made



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**Tariff Order of WBSETCL for the year 2017 – 2018**

thereunder, or by both, for the purpose of submission in the Annual Performance Review of 2017-18.

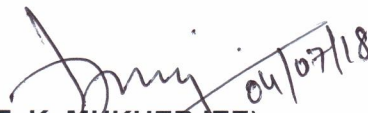
- 6.11 WBSETCL shall comply with all the provision of Electricity Act 2003 and rules and regulations made thereunder.
- 6.12 Non-compliance of the above directions or any non-deposition of admitted amount for past period will be viewed seriously by the Commission and necessary deduction / withholding of amount as may be decided by the Commission will be made in the concerned APR order or any subsequent tariff orders or APR orders.

Sd/-  
(DURGADAS GOSWAMI)  
MEMBER

Sd/-  
(AMITAVA BISWAS)  
MEMBER

Sd/-  
(R. N. SEN)  
CHAIRPERSON

DATE: 04.07.2018

  
(T. K. MUKHERJEE)  
SECRETARY

