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ORDER
OF
WEST BENGAL ELECTRICITY REGULATORY COMMISSION
FOR THE YEARS 2018 – 2019 AND 2019 – 2020
IN
CASE NO: TP – 82 / 19 – 20
IN RE THE MULTI YEAR TARIFF APPLICATION
UNDER SIXTH CONTROL PERIOD
OF THE HIRANMAYE ENERGY LIMITED
FOR THE YEARS 2018 – 2019 AND 2019 – 2020
UNDER SECTION 64(3)(a) READ WITH SECTION
62(1) AND SECTION 62(3) OF THE ELECTRICITY ACT, 2003

DATE: 31.05.2021



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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 Hiranmaye Energy Limited (hereinafter referred to as HMEL), [formerly known as India Power Corporation (Haldia) Limited] registered under the Companies Act, 1956, is a generating company in terms of section 2(28) of the Act and is engaged in the business of generation of electricity within the State of West Bengal and the generation tariff of HMEL shall be determined by the Commission.
- 1.3 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 06.09.2017 in Case No: SM-18/17-18 decided that the sixth control period shall be for two years consisting of 2018 – 2019 and 2019 – 2020. The Commission considering the request of different utilities of the State, extended the date of filing of tariff petitions several times and finally directed to submit the tariff petition within 31.07.2019.

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Tariff Order of HMEL for the year 2018 – 19 and 2019-20

- 1.4 HMEL submitted the petition for determination of tariff for the sixth control period consisting of the years 2018 – 2019 and 2019 – 2020 on 20th June, 2019 for the Units 1 and 2 (each of 150 MW capacity) of their generating stations at Haldia. Upon receipt of the petition, the Commission observed certain deficiencies in the said petition and intimated the same to HMEL.
- 1.5 Based on the letter of the Commission, HMEL has resubmitted their MYT petition for the years 2018 – 2019 and 2019 – 2020 under sixth control period on 1st July, 2019 rectifying the deficiencies as observed by the Commission. It was further observed that, some Forms required under Tariff Regulations were not annexed with their application. HMEL vide their letters dated 26.07.2019 and 05.08.2019 submitted the same.
- 1.6 The tariff application submitted on 01.07.2019 along with the information / data, documents submitted as per Tariff Regulations (collectively called as "tariff application"), were admitted by the Commission in case No.TP-82/19-20, 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 in 14.08.2019 in the following newspapers - (i) 'The Times of India' (English), (ii) 'Bartaman' (Bengali), (iii) 'Sangbad Pratidin' (Bengali) and (iv) 'Sanmarg' (Hindi) simultaneously. The gist along with the tariff application was also posted in the website of HMEL. The publication invited attention of all interested parties, stake holders and the members of the public and requested for submission of suggestions, objections and comments, if any, on the tariff application latest by 10.09.2019. Considering request from the stakeholders the last date of submission was extended up to 25th September 2019 and accordingly notice was published in the same newspapers. Opportunities were also extended to all to inspect the tariff application and to take copies thereof.
- 1.7 The suggestions and objections on the aforementioned application of HMEL for determination of tariff for the sixth control period were received only from West





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

Bengal State Electricity Distribution Company Limited within the specified time limit and the same have been recorded in a summarized form in Chapter 3 of the instant order.

- 1.8 Now, the Commission proceeds to determine the tariff in accordance with the Electricity Act, 2003 and the Tariff Regulations framed thereunder for the years 2018 – 2019 and 2019 – 2020 in the subsequent chapters.

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CHAPTER – 2

CASE OF H MEL

- 2.1 It has been stated that the instant application for determination of Tariff for the financial years 2018 – 2019 and 2019 – 2020 under the sixth control period has been submitted pursuant to the chapters 2, 4 and 5 of the Tariff Regulations to be made effective from 1st April, 2018. The tariff application is in one volume divided into different parts of the total application.
- 2.2 H MEL has submitted the application for determination of Annual Revenue Requirements (ARR) and tariffs for the units 1 & 2 of the 3 x 150 MW project for the sixth control period, covering the years 2018 – 2019 and 2019 - 2020, in accordance with the Tariff Regulations and based on the revised project cost (i.e., revised capital cost) as on 31.12.2017. H MEL has projected the ARR and tariff for 2018 – 2019 and 2019 – 2020 and has prayed for allowing the same. H MEL has also prayed for other dispensations which are mentioned in subsequent paragraphs.
- 2.3 H MEL, on 12.12.2019 has submitted further details and clarifications in the form of additional documents pertaining to their original petition. H MEL in its submission dated 12.12.2019 has submitted detail break-up for Form D1, D2, D3 along with coal bills and documents related to linkage through SHAKTI Scheme.
- 2.4 H MEL owns and operates a 2 X 150 MW coal fired Thermal Power Station located at Haldia, East Midnapore. The dates of commercial operation of the two units of the generating station are 13.08.2017 and 31.12.2017 respectively.
- 2.5 H MEL has submitted that in order to sell the entire generation of units 1 and 2, they have entered into a power purchase agreement with West Bengal State Electricity Distribution Company Limited (in short





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- WBSEDCL) at a mutually agreed ad-hoc tariff of Rs. 3.89 per unit which has been approved by the Commission.
- 2.6 The tariff petition submitted by HMEL is based on revised project cost of Rs. 2646.49 crore. HMEL has proposed to consider actual debt of Rs 1903.70 crore and equity of Rs. 742.79 crore for Tariff determination, thus having a debt – equity ratio of 72:28.
- 2.7 HMEL has submitted the interest rate on borrowed capital as 13.40% (weighted avg of RECL & PFC) amounting to Rs. 25509.58 lakh in each of the years. HMEL has also claimed interest on working capital of Rs. 405.82 lakh and Rs. 1245.10 lakh for the years 2018 – 2019 and 2019 – 2020 respectively, considering interest rate of 10.95% on short term loan from RBL.
- 2.8 HMEL has proposed O & M expenses as Rs. 9.78 lakh/MW and Rs. 10.36 lakh/MW for 2018-19 and 2019-20 respectively. In this connection HMEL inter-alia has submitted that the O & M norms determined by the Commission in its order dt. 13.09.2018 is not rational. HMEL has proposed to consider O&M cost at least 10% higher than the normative O & M for SgTPP-I with an annual increase of 5.93%. HMEL has also estimated Rs. 600.00 lakh as consumption of stores & spares for both the years under the head Consumption of stores & spares.
- 2.9 HMEL has submitted that the approved man/MW ratio for HMEL on account of employee cost is low as compared to SgTPP-I and requested to review the man/MW ratio based on actual performance if any excess manpower is required. HMEL has also requested to consider the average employee cost of SgTPP-I in Rs/lakh given in the tariff order of WBPDC for 2017-18 as a benchmark and to allow 9.28% annual escalation to arrive at the employee cost of HMEL for the years 2018-19 and 2019-20.
- 2.10 HMEL has claimed Rs. 9364.47 lakh as depreciation with an average depreciation rate of 3.54%.





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- 2.11 H MEL has projected water charge considering water consumption rate of 3 kL per MWH and also the rate of Haldia Development Authority (HDA) as Rs.17.48 per kL for 2018-19 and 2019-20.
- 2.12 H MEL has proposed coal & ash handling expenses as Rs. 66.67 lakh and Rs. 400.00 lakh for 2018-19 and 2019-20 respectively.
- 2.13 H MEL has proposed Rs. 126.00 lakh as insurance and Rs. 290.45 lakh on account of rent, tax & duties for both the years.
- 2.14 H MEL has not considered any interest credit.
- 2.15 H MEL has proposed fuel cost as Rs. 4.31 per kWh for the year 2018 – 2019 based on actual purchase of coal to the tune of 86% through e-auction, rest 14% being imported coal. H MEL has also proposed fuel cost as Rs. 3.89 per kWh for the year 2019 – 2020 considering 75% domestic coal from SHAKTI Scheme and 25% imported coal.
- 2.16 H MEL has finally submitted that there has been delay in filing the tariff petition due to the fact that H MEL had to face a lot of issues during the synchronization period till full load achievement and stabilization of both the units.

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CHAPTER – 3

OBJECTIONS AND SUGGESTIONS

3.1 Only West Bengal State Electricity Distribution Company Limited (hereinafter referred to as WBSEDCL) has submitted their suggestions, objections and comments on the tariff application of H MEL within the due date. Some of the major objections / suggestions of WBSEDCL are summarized below. The Commission's observations on the suggestions, objections and comments are also recorded in this chapter.

3.2 WBSEDCL has submitted that capital cost proposed by H MEL for 3 units is around Rs 9.50 Cr/MW, which is very high compared to other thermal plants in India. WBSEDCL has suggested to consider Rs. 1629 Cr for unit 1 & 2 for determination of Tariff.

The Commission has noted the comment of WBSEDCL; the issue of capital cost has been dealt in chapter-5.

3.3 In regard to debt-equity ratio, WBSEDCL in their suggestion, has requested to maintain normative debt -equity ratio.

The Commission has noted the submission of WBSEDCL.

3.4 WBSEDCL has submitted that interest rate is too high in respect of other power projects (around 9.0%). Further, H MEL also appears not to have exerted any effort to reduce the interest rate pursuant to clause (iii) of regulation 5.6.4.2 of Tariff Regulations. WBSEDCL requested to consider interest rate as 9.0%.

The Commission has noted the contention of WBSEDCL.

3.5 WBSEDCL has suggested to consider the approved O & M norms of 2017-18 for the year 2018-19, as 2018-19 is the first year of operation.

The Commission observes that, the O & M norms are fixed for a particular year considering estimated expenditure vis-à-vis the inflation index. Thus, applying the





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O & M norms for 2017-18 in case of 2018 -19 without giving any inflation effect, as suggested by WBSEDCL is not correct.

- 3.6 WBSEDCL in their suggestion and comments has submitted that man/MW norms for HMEL is much more compared to NTPC's norm of 0.47 and CEA recommendation of 0.486 technical and 0.144 non-technical. WBSEDCL has also suggested to consider average employee cost of all CESC and WBPDC units except SgTPP and BTPS. WBSEDCL has also requested to consider escalation rate of 4.28% based on CPI up to 2017-18.

The Commission has noted the submission of WBSEDCL.

- 3.7 WBSEDCL has suggested that regulations 5.6.4.2 (iii) and (vi) of Tariff Regulations should be adhered to while considering interest and IDC in order to contain the total project cost in a reasonable manner so as to reduce the tariff shock.
- 3.8 WBSEDCL also suggested to admit other finance charges only in case of reduction of interest (%) through loan swap by HMEL following regulation 5.6.4.2 (vi) of Tariff Regulation.

The Commission has noted the submission of WBSEDCL.

- 3.9 In regard to Coal and Ash Handling, Water Cess, Insurance and rent, rates and taxes, WBSEDCL has suggested that after prudence check the Commission should consider such cost in similar type of projects allowed by regulatory commission, as those costs as claimed by HMEL are high.

The Commission has noted the submission of WBSEDCL and the extant regulatory provisions only shall apply

- 3.10 WBSEDCL has stated that fixed cost for 2018-19 should be curtailed based on PAF for 2018-19 and similar treatment may be made for 2019-20 too, as the power plant has generated only 80.7 MU for a limited period.





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- 3.11 HMEL has claimed fixed cost on different heads such as depreciation, interest, O&M, employee cost, ROE etc. for the entire FY 2018-19. Provision of regulation 5.25 of the Tariff Regulations may be adhered to while determining fixed cost for the years 2018-19 and 2019-20 in respect of HMEL since both the units were inoperative for more than three months in each of the financial years.

The Commission observes that, in terms of regulation 5.25 of the Tariff Regulations, the generating stations which remains inoperative for more than three months due to breakdown or force majeure event is to be treated as inoperative asset. However, from the Form-A submitted by HMEL it has been observed that, the units were unable to generate mainly for want of coal availability and supplementary PPA issues, which do not fall under criteria for inoperative asset as per the said regulation.

- 3.12 Regarding Fuel Cost for 2018-19, WBSEDCL has submitted that HMEL was not eager to procure domestic coal or secure their linkage from coal block auction. HMEL imported Indonesian thermal coal of GCV 4200 KCal/Kg at a landed cost of Rs. 7341 per tonne. However, there were no reported events of coal shortage in the country during the said period and HMEL ignored guidelines of the Commission and started importing coal without concurrence which resulted in the increase in weighted average cost of coal.
- 3.13 WBSEDCL has also stated that the landed cost cited for imported coal is significantly higher than that of domestic coal as notified by CIL. WBSEDCL has also submitted an estimation of landed cost of thermal coal of same grade procured from e-auction of CIL which shows landed cost to be Rs. 2890 per tonne for mines in West Bengal and Rs. 2729 per tonne for mines rest of India.
- 3.14 HMEL has procured coal from BCCL and CCL during 2018-19 and has claimed that the landed cost of BCCL and CCL coal at their plant came to Rs. 6597 per tonne and Rs. 4987 per tonne respectively. WBSEDCL has submitted their computation of landed cost of same grade of coal from BCCL and CCL which comes to Rs. 5960 per tonne and Rs. 4262 per tonne respectively.





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3.15 WBSEDCL has also stated that HMEL should not procure high value premium coking coal to run their plant in future rather it should put effort to secure non-coking coal for the operation.

3.16 WBSEDCL has suggested not to allow the additional charges to HMEL for procuring coking coal in lieu of same GCV thermal coal.

The contentions of WBSEDCL at 3.12 to 3.16 above are noted.

3.17 Regarding Fuel Cost for 2019-20, WBSEDCL has submitted that HMEL in their tariff application has submitted fuel sourcing for 2019-20 with 75% availability of coal from Shakti scheme linkage and balance 25% from open market. HMEL has considered 25% of coal sourcing from Indonesia at a weighted average landed cost of Rs. 6523.00 per tonne for the year 2019-20. Landed cost of indigenous coal by HMEL for 2019-20 is Rs. 4604.00 per tonne which seems to be significantly higher than the coal landing price in line with CIL price notifications.

3.18 WBSEDCL has also submitted price calculation of landed cost of coal under Shakti Scheme for wagon load which comes to Rs. 2771 per tonne to Rs. 2826 per tonne for the year 2019-20 in place of Rs. 4604 per tonne as claimed by HMEL.

The Commission has noted the contention of WBSEDCL at 3.17 and 3.18 above

3.19 WBSEDCL has also stated that sourcing of G-13 grade coal from Talcher Mine under Shakti scheme has contributed to the high landed cost of coal due to long distance and thus HMEL may be directed to endeavour to source proper grade of coal from coal mine at shorter distance so that impact of high fuel cost may be arrested. WBSEDCL further submitted that till HMEL submits proposal to purchase proper quality coal from shorter distance mines before WBSEDCL and WBSEDCL concurs on such proposal, purchase of power from HMEL seems unviable for WBSEDCL.





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The Commission is of the view that, HMEL has submitted the petition for determination of tariff in terms of relevant provisions of the Tariff Regulations. Now in presence of a PPA between HMEL and WBSEDCL, the Commission is in the process of determination of generation tariff of HMEL as required under clause (a) of section 62 (1) of the Electricity Act 2003. The decision of actual power purchase is to be guided by the terms of the PPA entered between WBSEDCL and HMEL. WBSEDCL cannot insert any condition unilaterally when the agreement is in force.

- 3.20 HMEL also has not considered drop of GCV during computation of fuel cost though it has anticipated loss of GCV @ 1625 Kcal/kg for indigenous coal. WBSEDCL has stated that in case of NTPC, such drop of GCV ranges from 465 to 1062 Kcal/kg during April, 2019 to June, 2019. This drop of GCV in real operation will result in considerable amount of MFCA which will pose difficulty in merit order despatch.

The Commission has noted the contention of WBSEDCL.

- 3.21 HMEL in their application for 2nd stage final investment approval has submitted that they are getting the wagon/rail loads of linkage coal at the railway siding located within the territory of Electrosteel Castings. HMEL plant which is 4 km away from Electrosteel Plant couldn't envisage to draw rail link to their plant during finalization of DPR. Supply of coal plays major role in a power plant for seamless operation and cost control viz. loss of GCV, loss of coal, additional handling charges and security of coal upkeepment.
- 3.22 HMEL has claimed that sampling is being done at railway siding which is not in their own territory and they have to transport coal from the siding to plant by truck which eventually result in grade slippage and GCV drop. The practice of unloading a coal rake at other lease-holders territory and sampling at that place is not acceptable.





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- 3.23 WBSEDCL has requested the Commission to ask HMEL to rationalize their coal handling process and immediately arrange for drawal of rail link to their plant. WBSEDCL has also submitted that cost on this account should not be passed on to the consumers of WBSEDCL till such arrangement is made by HMEL. If such high logistics rate of Rs. 440 per tonne with respect to distance covered, is allowed in fuel cost, the landed value of coal will increase abruptly and new power plant of HMEL shall have to be kept back down during merit order despatch and consumers of the state have to bear fixed cost of HMEL plant.

The contention of WBSEDCL at paragraphs 3.21 to 3.23 above are noted and shall be considered at the time of determination of tariff in the subsequent chapters.

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CHAPTER – 4

VARIABLE COST & EXPENDITURE

4.1 Examination of the fuel cost as claimed by H MEL for the years 2018 – 2019 and 2019 – 2020 of the sixth control period under different heads for its generating station has been taken up in this chapter. For the purpose of fuel cost calculation and energy charge determination, the energy generated from the generating station has been considered as per normative PLF of the generating station but it is to be noted that capacity charge recovery of the generating station shall be on the basis of normative PAF.

4.2 Normative parameters:

The Commission in terms of regulation 2.8.1.4.9 of the Tariff Regulations has determined the norms of different operating parameters for the years 2017-18 in respect of 3 X 150 MW coal based thermal power plants set up by H MEL vide its order in Case No. OA-287/18-19 dated 13.09.2018. In the said order, it has been specified that these norms will be considered for the purpose of determination of generation tariff of H MEL and for 2018-19 & 2019-20 O&M expenses will be determined as per Clause 2.8.6.1 of Notification no. 54/ WBERC dated 30.07.2013. The operating norms, thus specified are as below:

SI No	Operating parameters	Normative value
1	Gross Station heat rate (GSHR)	2477.15 kCal/kWh
2	Secondary oil consumption	1.00 ml/kWh
3	Auxiliary consumption	10.50 %
4	Plant Availability Factor (PAF)	85 %
5	Plant Load Factor (PLF)	80 %
6	Transit and handling loss	0.80 %
7	Annual O&M expenses #	Rs. 7.92 lakh /MW
8	Man /MW ratio	1.30





4.3 Gross Generation:

HMEL owns and operates a 2 X 150 MW coal fired Thermal Power Station located at Haldia, East Midnapore. The date of commercial operation of these two units are 13.08.2017 and 31.12.2017 respectively. HMEL has also submitted certificate from Central Electricity Authority, Ministry of Power, Government of India regarding COD of both the units. For the year 2018 – 2019, HMEL has proposed gross generation of 80.71 MU as per actual PLF and for 2019 -2020, HMEL has projected gross generation of 2233.80 MU based on normative PAF.

The Commission finds it suitable to consider the generation projected by HMEL for the year 2018 – 19 based on actual PLF. However, for the year 2019 – 20, projection of generation is admitted based on normative PLF. Accordingly, the gross generation figures projected from these two units of HMEL during the years 2018 – 2019 and 2019 – 2020 stand as follows

Year	Gross Generation (in MU)	
	Projected by HMEL	Admitted
2018 – 2019	80.71	80.71
2019 – 2020	2330.80	2102.40

4.4 Auxiliary consumption and ex-bus generation:

HMEL has projected the auxiliary consumption and sent-out generation during the years 2018 - 19 and 2019 – 20 considering the auxiliary consumption norms approved by the Commission. The projected auxiliary consumption and ex-bus generation based on approved norms are admitted as below:

Year	Gross Generation (in MU)	Rate of Aux. Consumption (%)	Aux. Consumption (in MU)	Ex-bus Generation (in MU)
2018-19	80.71	10.50 %	8.47	72.24
2019-20	2330.80	10.50 %	234.55	1999.25





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4.5 Fuel Cost:

4.5.1 HMEL has projected the fuel cost and per unit energy charge for its generating stations in their petition as below:

Particulars	2018 – 2019	2019 – 2020
Fuel cost (Rs. in lakh)	3109.86	77720.49
Energy charge (Rs. /kWh)	4.31	3.89

4.5.2 In the tariff application, HMEL has submitted that, they had a Fuel Supply Agreement (FSA) with WBMDTCL, through which coal was supposed to be supplied from Jaganathpur B coal block. Balance coal was to be purchased through import / from open market as per the requirement of the power plant. But, pursuant to the directive of the Hon'ble Supreme Court, the said coal block was deallocated by Central Government and the FSA was accordingly cancelled due to force majeure.

4.5.3 For the year 2018-19, in absence of any coal linkage or long-term FSA with any subsidiary of Coal India Limited (CIL), HMEL had to depend on various e-auctions as announced by CIL subsidiaries from time to time. HMEL participated in special forward e-auctions of BCCL, ECL and CCL. It has been submitted that, HMEL participated in special forward e-auction of ECL during October 2018 which was subsequently withdrawn. HMEL also participated in e-auction during January 2019, where CIL cancelled all sources except 'Amrapali'. Thus, HMEL could secure only 86% of its coal requirement from domestic e-auction of CIL subsidiaries. Due to shortfall from required quantity and very high premium of domestic spot e-auction rates and also for the purpose of blending, HMEL procured imported coal on a short-term basis from Indian Traders as a stop gap arrangement. The details are tabulated below:

Contract Type	Source	% mix	Heat Value (kCal/kg)	Landed cost of coal (Rs. / Tonne)
E-auction	BCCL – KKC / CK(W)	71%	4300	6597

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E-auction	CCL – washed coal	15%	3900	4987
Import	Indonesia	14%	4200	7341

4.5.4 For the year 2019 – 20, HMEL has secured 15,02,300 tonne of coal under SHAKTI Scheme of Government of India through auction process. HMEL has offered a levelized discount on variable tariff @ 7 paisa / unit to the beneficiary under the SHAKTI Scheme. HMEL has proposed to source balance coal during 2019 – 20 through import as tabulated below:

Contract Type	Source	% mix	Heat Value (kCal/kg)	Landed cost of coal (Rs. / Tonne)
SHAKTI Scheme	MCL -Talcher / IB Valley Area	75%	3520	4604
Import	Indonesia	25%	4200	6523

4.5.5 While scrutinizing the submission of HMEL, it has been observed that, during the year 2018 – 19, HMEL had procured imported coal through a process of negotiation, instead of any competitive bidding process as stipulated in the regulation 5.8.5 of the Tariff Regulations. As the FSA between HMEL and WBMDTCL from Jaganathpur B coal block had been cancelled by the Government of India as a result of the decision of Hon'ble Supreme Court, the Commission admits the coal procurement through e-auction / import. HMEL has also cited instances of cancellation of the e-auction processes by CIL subsidiaries in which HMEL had participated, as the reason for sourcing about 14% of its coal requirement through import. Commission admits the projected coal price discovered through e-auction. However, in absence of any competitive bidding-based purchase of imported coal, the Commission limits the landed cost of imported coal to the landed cost per 1000 kCal of coal purchased from different e-auctions. For 2019 – 20, it has been observed that the linkage quantum of 15,02,300 tonne of coal is sufficient to maintain 80% generation. Admissibility of





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additional coal purchase from any other source during 2019 -20 will be analyzed during FCA.

4.5.6 HMEL, in addition to the railway transportation cost, has projected road transportation cost of Rs. 978 per tonne in case of CCL coal and Rs. 1365 per tonne in case of BCCL coal during 2018 – 19 and Rs. 1365 per tonne in case of MCL coal during 2019 – 20. From the copy of the work order dated 23.12.2017 submitted along with the petition, it has been observed that the rate of transportation charge from HDCG sliding to plant including handling and service charges was Rs 489.30 per tonne for one year from the date of work order. HMEL has not given any satisfactory justification for a jump of about 2.79 times in road transportation cost in the subsequent years. Thus, the Commission finds it suitable to allow road transportation cost for 2018 – 19 and 2019 -20 with an annual increase of 4.72% and 4.02% respectively based on hybrid index (40% Consumer Price Index (CPI) and 60% Wholesale Price Index (WPI) [Annexure 5A] over rate as mentioned in the work order dated 23.12.2017. HMEL, subsequently, has submitted a breakup of costs on 12.12.2019 indicating claim on account of demurrage. Commission does not allow proposed demurrage charge at the stage of ARR determination in absence of any specific justification of such claim in term of clause (vi) of regulation 5.8.1 of the Tariff Regulations. Thus, the transportation cost admitted for the years 2018 -19 and 2019 -20 are as below:

Sl No	Particulars	2018 – 19				In Rs. / tonne	
		BCCL coal		CCL coal		2019 – 20	
		Projected	Admitted	Projected	Admitted	Projected	Admitted
1	Rail freight	837	837	1012	1012	1289	1289
2	Demurrage charge	17	0	6	0	0	0
3	Road transportation	1365	512	978	512	1365	533
4	Handling & supervision	0	0	0	0	94	0
5	Other charges	81	81	0	0	84	84
	Total	2300	1430	1996	1524	2833	1906





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The Commission notes that, road transportation of coal is not a desirable activity both from economic and environmental point of view. HMEL is directed to have required connectivity either by conveyor or by rail upto their plant. Pending readiness of such infrastructure to transport coal, the rate of transportation has to be subjected to a normative analysis. HMEL shall explain the rate of road transportation as may be sought in their FPPCA petition from the points of view of transparency and reasonability along with necessary backup data and information.

4.5.7 The admissible heat value and landed cost of coal in line with the decisions taken in 4.5.5 and 4.5.6 above, are shown in the table below:

Sl No	Particulars	2018 19			2019 – 20	
		e-auction		Import	SHAKTI Scheme	
1	Contract type					
2	Source	BCCL	CCL	Indonesia	MCL G-12	MCL G-13
3	GCV (kCal/kg)	4300	3900	4200	3700	3400
4	Coal price (Rs. / tonne)	4297	2991	4886	1822	1736
5	Transportation cost (Rs. /tonne)	1430	1524	2455	1906	1906
6	Landed price (Rs. / tonne)	5727	4515	7341	3728	3642
7	Rs. per 1000 kCal	1.33	1.16	1.75	1.01	1.07
8	Admissible landed cost of imported coal (= 1.33 x 4200) [as decided in para 4.5.5 above]			5586		
9	Quantum of purchase (in tonne) **	33756	7211	6600	451690	677535
10	Weighted average price (Rs. /tonne)	5523.45			3676.72	
11	Weighted average GCV (kCal /kg)	4225.49			3520.00	

** to arrive at weighted avg values the quantum proposed by HMEL has been considered.

4.5.8 HMEL. in its petition, has prayed not to consider conversion of GCV basis to UHV basis in case of e-auction coal and imported coal. It is further submitted by the petitioner to consider GCV basis of coal heat value for working out the relevant years' tariff in compliance with SHAKTI Scheme guideline under the competitive bidding criteria and allow discount @ 7 paisa /kWh in the energy charge. Thus, the Commission considers the weighted average GCV shown in the table in para 4.5.7 above to compute fuel cost.





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- 4.5.9 HMEL has proposed average oil price and heat value of oil at Rs. 53000 per KL and 10000 kCal /Litre respectively, in each of the years of the sixth control period. The Commission admits the same subject to truing up during the FCA.
- 4.5.10 Considering the admissible weighted average heat value and price of coal and oil along with the submission of the petitioner mentioned in paragraph 4.5.8 above, detail computation of allowable fuel cost for the years 2018 19 and 2019 – 20 has been shown in the table at Annexure – 4 to this chapter.
- 4.6 The summarized statement of the admitted fuel cost and energy charge for the power station of HMEL pertaining to the years 2018 – 19 and 2019 – 2020 as per admitted generation in paragraph 4.4 above, has been given hereunder:

Sl No	Particulars	Unit	2018 - 19	2019 – 20
1	Fuel cost as per Annexure -4	Rs. in Lakh	2666.66	55729.92
2	Ex-bus generation	MU	72.24	1881.65
3	Energy charge	Paise/kWh	369.14	296.18

For 2019 – 20 and onwards an additional discount @ 7 paisa per kWh will be applicable to the extent of usage of coal under SHAKTI Scheme in terms of the provision of the amended PPA.

- 4.7 Any variation in actual generation during the years 2018 – 2019 and 2019 – 2020 from the gross generation shown in this order will be given due consideration by the Commission in the APR and/or FCA as per the provisions of the Tariff Regulation.

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Tariff Order of HMEL for the year 2018 – 19 and 2019-20

ANNEXURE 4

FUEL COST DETERMINATION OF HMEL

SL no	Particulars	Unit	2018 - 19	2019 - 20
1	Generation	MU	80.71	2102.40
2	Rate of Auxiliary Consumption	%	10.50	10.50
3	Auxiliary consumption	MU	8.47	220.75
4	Ex-bus generation (4=1-3)	MU	72.24	1881.65
5	Station Heat rate	Kcal/KWh	2477.15	2477.15
6	Total Heat required (6=1 x 5)	GCal	199930.78	5207960.16
7	Specific Oil Consumption rate	ml/KWh	1.00	1.00
8	Oil Consumed (8=1 x 7)	KL	80.71	2102.40
9	Heat Value of Oil	Kcal/lit	10000	10000
10	Heat Generated from oil (8 x 9/1000)	GCal	807.10	21024.00
11	Heat Generated from Coal (6 - 10)	GCal	199123.68	5186936.16
12	Heat Value of Coal	Kcal/Kg	4225.49	3520.00
13	Coal required [(11/12)x1000]	Tonne	47124.40	1473561.41
14	Coal required at 0.80% Transit Loss	Tonne	47504.44	1485444.97
15	Average Price of Oil	Rs./KL	53000	53000
16	Average Price of coal	Rs./Tonne	5523.45	3676.72
17	Cost of oil [(8 x 15)/100000]	Rs. In lakh	42.78	1114.27
18	Cost of Coal [(14x16)/100000]	Rs. In lakh	2623.88	54615.65
19	Total Cost of Fuel (17 + 18)	Rs. In lakh	2666.66	55729.92

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CHAPTER – 5

FIXED CHARGES

5.1 Examination of the projected fixed charges as claimed by HMEL for the years 2018 – 2019 and 2019 – 2020 under different heads, for its generating station has been taken up in this chapter.

5.2 **Project Cost:**

5.2.1 **Project cost of Unit 1 & Unit 2:**

HMEL [formerly known as IPC(H)L] had submitted a petition on 19.10.2012 for 'in-principle' investment approval for 3 X 150 MW coal based TPP project in Haldia with estimated cost of Rs 2672.09 crore. Subsequently, HMEL vide a supplementary petition dated 24.07.2015 revised the estimated cost to Rs 3307.00 crore. The Commission vide its order in Case no. OA-159 /12-13 dated 20.11.2017 accorded 'in-principle' approval of Rs. 2672.09 crore for 3 X 150 MW power plant. The Commission in the said order under paragraph 15.0 observed the following:

[Quote]

.... enhanced cost under IDC and building & civil works including employee accommodation are not tenable and for the time being agree to the estimated project cost submitted in the initial petition. However, the Commission will take final view of the project cost after completion of the project and submission of all necessary documents with audited figures and with prudent check during final approval of project cost. ..

[Unquote]

5.2.2 After declaration of COD of first two units (13th August 2017 and 31st December 2017 respectively), HMEL had submitted a petition on 20.02.2019 seeking 2nd





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stage final approval of the investment proposal for an amount of Rs. 4274.79 crore in terms of regulation 2.8.1.4.3 of the Tariff Regulations. The Commission in its order dated 14.10.2020 in Case no OA-299/18-19 inter-alia observed that, seeking 2nd stage approval after completion of COD of two units is not tenable under regulation 2.8.1.4.3 of the Tariff Regulations and directed H MEL to submit fresh petition for the final project cost as per the provision of regulation 2.8.1.4.13 of the Tariff Regulations along with audited figures and substantial documents in support of variation in project cost from the 'in principle' approval order.

5.2.3 H MEL vide a petition dated 09.12.2020, has sought time extension till 31.12.2022 for filing final project cost approval under regulation 2.8.1.4.13 of the Tariff Regulations, which has been allowed by the Commission. Subsequently vide another supplementary submission dated 29.12.2020, H MEL proposed to consider the already approved "in-principle" clearance amount pro-rated for two units for determination of tariff at this stage. They have also submitted that, H MEL may be allowed to adjust the balance amount arising out of the difference in the tariff approved based on final project cost and tariff based on project cost considered in this MYT 6th control period proceedings retrospectively from the commencement of supply of power to WBSEDCL, in line with the supplementary PPA dated 06.04.2018 between H MEL and WBSEDCL.

5.2.4 Keeping in line with the observation made by the Commission during the 'in-principle' approval order, it is prudent to consider the 'in-principle' approved amount for computation of ARR till the final project cost is approved. Accordingly, the Commission, decides to consider the proportionate amount of project cost for Unit 1 & 2 amounting to Rs. 1781.39 crore (Rs. 2672.09 X 2/3) provisionally and proceeds to determine Aggregate Revenue Requirements (ARR) for the year 2018 – 2019 and 2019-20. Any variation in fixed charges on the basis of final project cost shall be adjusted from the beneficiary subsequently, in terms of the PPA.

5.3 Employees' cost:





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

- 5.4.1 HMEL has submitted that the approved man/MW ratio for HMEL for 2017-18 is low as compared to Sagardighi Thermal Power Plant Stage-1 (SgTPP-I) of WBPDC and has prayed for a review of the man/MW ratio norms based on actual performance if any excess manpower is required.
- 5.4.2 HMEL has also submitted that in absence of any approved employees' cost, they have proposed their employee cost considering the average employee cost based on approved average for SgTPS Stage I. They have, accordingly, submitted their request to consider the average employee cost of SgTPP-I in Rs./lakh as approved in the tariff order of WBPDC for 2017-18 as a benchmark and to apply 9.28% annual escalation to determine the employee cost of HMEL for the years 2018-19 and 2019-20. Accordingly, HMEL has claimed Rs. 4231.50 lakh and Rs 4621.50 lakh under employee cost for the years 2018 – 19 and 2019 – 20 respectively.
- 5.4.3 Employee cost has been recognized as an uncontrollable element in the Tariff Regulations subject to approved man / MW ratio. As this is the first ARR petition of HMEL, a suitable benchmark is required to be arrived at to determine the admissible employee cost for the HMEL plant. The Commission observes that guidelines for operating norms of new units have been specified in Schedule 9-D of the Tariff Regulations, where O&M expenses for SgTPP has been considered as ceiling for determining O&M norms for new units. Taking reference from the same, the Commission considers employee cost of SgTPP stage-I with an annual escalation of 5.35 % for 2018-19 and 2019-20 (average of CPI for 2017-18 to 2019-20) as a benchmark for HMEL employee cost, subject to approved man/MW ratio. The employee cost is subject to truing up during APR.

Sl No	Particulars	Amount
1.	Employee cost of SgTPP Stage-I as per Tariff Order 2017-18 (Rs. in lakh)	7179
2.	No. of employees at SgTPP Stage-I per MW (as per man/MW ratio)	1.35
3.	Rs. in lakh per employee as per 2017-18 [Sl no 1 / (2 x 300 x Sl no 2)]	8.863

- 5.4.4 The Commission, thus, admits the employee cost as per the details given below:

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Tariff Order of H MEL for the year 2018 – 19 and 2019-20

SI No	Particulars	2018 -19	2019 - 20
1	Man / MW norms for H MEL	1.3	1.3
2	Maximum Manpower [1.3 X 300] (no)	390	390
3	Per employee (normative) cost of SgTPP Stage-I [para 5.4.3 above]	8.863	8.863
4	Annual Escalation over Employees Cost (Average of CPI for 17-18 to 19-20)	5.35%	5.35%
5	Admissible Rs. lakh per employee [* SI no 3 X 1.0535]	9.34*	9.84**
9	Admitted Emp Cost [SI no 2 X SI no 5] (Rs lakh)	3642.60	3837.60

**[8.863 X 1.0535^2]

The Claim vis-à-vis admitted amount for employee cost thus stands as below:

As Claimed by H MEL		As Admitted by Commission	
2018 - 19	2019 – 20	2018 – 19	2019 – 20
4231.50	4621.50	3642.60	3837.60

5.4.5 H MEL shall furnish relevant information and supporting documents in this respect with the application for APR for the concerned year and the same shall be considered for adjustment in APR to the extent it is found fit by the Commission. Along with the information and documents as mentioned above, H MEL, in the application for APR for the concerned year, shall also furnish the information in the format given in Form 1.17(h) of Annex – 1 to the Tariff Regulations indicating details in respect of both regular and contracted employees engaged in unit 1 and unit 2.

5.5 Coal and Ash Handling Expenses:

5.5.1 H MEL has claimed Rs. 66.67 lakh and Rs. 400.00 lakh for the years 2018-19 and 2019-20 respectively, towards coal and ash handling expenses. They have submitted that the claim has been made based on the expenditure estimated for services and diesel consumption/price.

5.5.2 The Commission, after due consideration and keeping in view of the fact that coal and ash handling expenses are uncontrollable in nature and are directly related to





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

the level of generation, decides to admit the expenses by considering the normative level of generation during the years and multiplying it with a benchmark cost per MWh of generation (Rs/MWh). In line with the decision taken in paragraph 5.4.3 above, Coal & Ash Handling Expenses in terms of Rs. in lakh per MWh for SgTPP Stage- I as admitted in the Tariff Order of 2017-18 for WBPDCCL is considered as benchmark cost.

Sl No	As admitted in TO 2017-18 of WBPDCCL for SgTPP Stage I	Unit	Value
1	Coal & Ash Handling Expenses ----- A	Rs. in Lakh	197.39
2	Ex-bus generation considered ----- B	MU	3826.37
3	Gross Generation ----- [C = B/(1-9%)]	MU	4204.80
3	Cost/MWh of Gross generation – $D=A*10^5/C*10^3$	Rs/MWH	4.69

Coal and ash handling expenses being a component of fixed charge, Commission finds it suitable to allow the per MWh benchmark cost over the normative generation availability. The admitted coal and ash handling expenses based on normative gross generation from the units during 2018-19 and 2019-20 thus comes to Rs 109.68 lakh and Rs.114.15 lakh respectively as shown in the table below, against the claim of Rs. 66.67 lakh and Rs.400 lakh respectively for those years. However, after submission of APR petitions at the end of the respective years, the actual expenditure vis-à-vis actual generation will be viewed separately by the Commission for adjustment of allowable expenses under this head.

Sl No	Particulars	2018 – 19	2019 – 20
1	Gross generation at normative PAF (MU)	2233.80	2233.80
2	Cost / MWh of SgTPP -I for 2017 -18 (Rs. /MWH)	4.69	4.69
3	Annual Escalation [WPI+CPI (60:40)]	4.72%	4.02%
4	Admissible benchmark cost/MWh [Rs lakh]	4.91	5.11
5	Admitted Coal and Ash handling expenses [Rs lakh]	109.68	114.15

5.6 Water charges:

5.6.1 HMEL has projected expenditures of Rs. 42.32 lakh and Rs. 1171.00 lakh for the years 2018-19 and 2019-20 respectively towards water charges. They have





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

submitted a detailed calculation of water charges considering projected Generation of 80.71 MU and 2233.88 MU respectively for 2018-19 and 2019-20 respectively considering the rate specified by Haldia Development Authority (HDA).

5.6.2 The Commission admits the water consumption during the period considering the normative level of generation (as Fixed cost will be realised in accordance with the normative PAF) for the years 2018-19 and 2019-20 at the rates specified by HDA which is Rs.16.65/KL up to July 2018 and Rs. 17.48 /KL thereafter (as is evident from page 14 of Annex III submitted by HMEL). The admitted Water Charges, thus, have been computed to be Rs. 1152.86 lakh for 2018-19 and at Rs. 1171.40 lakh for 2019-20 is given hereunder:

Particulars		Claimed by HMEL (against projected generation)		Admitted by Commission (against normative generation)	
		2018-19	2019-20	2018-19	2019-20
Generation of Power (MU)	[A]	80.71	2233.88	2233.80	2233.80
Water Consumption (KL/MWH)	[B]	3	3	3	3
Water Requirement (KL)	$[C]=[A] \times [B] \times 10^3$	242130	6701640	6701400	6701400
Rate (Rs/KL)	[D]	17.48	17.48	17.20**	17.48
Water Charges (Rs Lakhs)	$[E]=[C] \times [D] / 10^5$	42.32	1171.00 *	1152.86	1171.40

* In Form E(B) the claim is Rs. 1171.00 lakh

** weighted avg rate of Rs.16.65/KL up to July 2018 and Rs. 17.48/ KL thereafter.

5.6.3 However, the expenditure on water charges being uncontrollable in nature, on submission of APR petitions, the actual expenditure vis-à-vis actual generation will be viewed separately by the Commission for adjustment of allowable expenses under this head.

5.7 Operation and Maintenance (O&M) Expenses:

5.7.1 HMEL has proposed to consider O&M cost at a rate 10% higher than the normative O&M cost for SgTPP-I with an annual increase of 5.93% stating inter-alia that the





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

O&M norms for 2017-18 as determined by the Commission vide its order dated 13.09.2018 is not rational. Accordingly, HMEL has proposed O&M expense as Rs. 9.78 lakh/MW and Rs. 10.36 lakh/MW for 2018-19 and 2019-20 respectively.

5.7.2 It has been observed that the Commission has determined the O&M norms of HMEL for the year 2017-18 as Rs. 7.92 lakh/MW in case no. OA-287/18-19 dated 13.09.2018. HMEL has neither requested for review of the order nor has challenged it before any court of law. Thus, the request of HMEL at this stage cannot be considered. However, the Commission proceeds to determine the O&M norms by allowing for the inflation as detailed in the paragraphs below.

5.7.3 In terms of Regulation 2.8.6.1 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) (Amendment) Regulations, 2013, the norms of Operation & Maintenance (O&M) Expenses for Coal Fired Thermal Generating Station and for hydro generating power station which are under operation or/and under Construction is to be provided in the tariff order of the 1st ensuing year of any control period applying average inflation rate of last control period on the basis of actual expenditure of the last available completed year of that last control period. Since this is the first year of determination of tariff, the Commission proceeds to finalize the norms by applying the average inflation rate for 2018-19 and 2019-20 giving 60:40 weightage to WPI: CPI (average rates of inflation is given in Annexure 5A) on the norms specified for 2017-18 in the order dated 13.09.2018 as shown below:

Norms of 2017-18	For 2018-19 considering inflation 4.72%	For 2019-20 considering inflation 4.02%
Lakh /MW	Lakh /MW	Lakh /MW
[1]	[2] = [1] X 1.0472	[3] = [2] X 1.0402
7.92	8.29	8.62





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

5.7.4 The admissible (O&M) expenditure for 2018 – 2019 & 2019-20 for the generating station, thus, comes to Rs. 2487.00 lakh and Rs. 2586.00 lakh respectively as shown below:

Units	Installed capacity	Norms for 18-19 as determined above	Norms for 19-20 as determined above	Admissible Amount	
				Total for (2018-19)	Total for (2019-20)
	(in MW)	Lakh /MW	Lakh /MW	(Rs. in lakh)	(Rs. in lakh)
	[1]	[2]	[3]	[4] = [1] X [2]	[5] = [1] X [3]
Unit-1 & 2	300	8.29	8.62	2487.00	2586.00

Accordingly, the claim vis-à-vis the admitted figures for (O&M) for generation function is as below:

Rs. in lakh			
As Proposed by HMEL		As Admitted	
2018-19	2019-20	2018-19	For 2019-20
2932.76	3106.68	2487.00	2586.00

HMEL has claimed additional Rs. 600 lakh against consumption of stores and spares in each of the years of 2018-19 and 2019-20. The Commission does not admit the same as it is part of the O&M expenses.

5.8 Insurance, Rent, Rates & Taxes

5.8.1 HMEL has claimed Rs 126.00 lakh towards insurance and Rs. 290.45 lakh towards rent, rates & taxes for each of the years of 2018-19 and 2019-20. The Commission admits the same as shown below:

Rs in Lakh			
Sl No	Particulars	As claimed by HMEL and admitted by the Commission	
		2018-19	2019-20
1	Insurance	126.00	126.00
2	Rent, Rates & Taxes	290.45	290.45





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

HMEL is directed to segregate the rent and rates & taxes in its APR Petition.

5.9 Depreciation:

5.9.1 HMEL has submitted to have considered the rates of depreciation as per the depreciation schedule and the weighted average rate of depreciation as claimed by them is 3.54% on the capitalized cost of Rs. 264648.83 lakh for Unit 1 & 2 in the Petition. The Commission admits the same rate on the proportionate amount of in-principle approved cost as decided in Paragraph 5.2.4 above. Accordingly, Rs. 6306.13 lakh for each of the years is admitted for 2018-19 and 2019-20 as detailed below:

Sl No	Particulars	Rs. in lakh			
		As Claimed by HMEL		As Admitted by Commission	
		2018-19	2019-20	2018-19	2019-20
1	Gross Fixed Asset	264648.83	264648.83	178139.34	178139.34
2	Depreciation	9364.47	9364.47	6306.13	6306.13

5.9 Interest on Borrowed Capital:

5.9.2 HMEL has submitted that at present they have borrowing agreements from two sources, viz., REC and PFC amounting to Rs. 1347.12 crore @ 13.5% and Rs. 958.85 crore @ 13.25% respectively, for their project.

5.9.3 They have further submitted that the claim has been raised considering the actual amount drawn (Rs. 190369.98 lakh) from the lending institutions at the weighted average rate of interest of 13.40%. They have shown the detail calculations in Form C of their petition. HMEL has also submitted that repayment of debt is yet to commence.

5.9.4 The Commission considers the debt equity ratio of 70:30 on the project cost as decided in paragraph 5.2.4 above, in terms of regulation 5.4.2 of Tariff Regulations and accordingly, an amount of Rs. 16709.47 lakh is admitted for





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

each of the years of 2018-19 and 2019-20 as against the claim of Rs. 25509.58 lakh as shown below:

Sl No	Particulars	Rs. in lakh			
		As claimed by HMEL		As admitted	
		2018-19	2019-20	2018-19	2019-20
1	Project Cost	264648.83	264648.83	178139.33	178139.33
2	Capital Borrowings	190369.98	190369.98	124697.53	124697.53
3	Wt Avg rate of interest	13.40%	13.40%	13.40%	13.40%
4	Interest amount	25509.58	25509.58	16709.47	16709.47

5.9.5 Considering the present declining rate of interest, HMEL is directed to examine all ways and means judiciously to see whether migration to a lower interest regime is possible and submit a report to the Commission within 6 months from the date of issuance of this order.

5.10 Other Finance Charges:

5.10.1 The amount claimed by HMEL towards other finance charges comprises of Guarantee Commission, Bank Charges, L/C Opening Charges and Fees & Expenses for Restructuring. Since the fees paid for restructuring could not be assessed as attributable to HMEL from the documents submitted by HMEL, the same is not admitted at this juncture. HMEL is directed to submit the relevant documents in support of their claim in the APR Petition for examination by the Commission. The claims vis-a-vis admitted amount under 'Other Finance Charges' is depicted below:

Sl. No.	Particular	Figures in Rs lakh			
		As claimed by HMEL		As admitted by Commission	
		2018-19	2019-20	2018-19	2019-20
1	Guarantee Commission	10.00	10.00	10.00	10.00
2	Bank Charges	2.00	2.00	2.00	2.00
3	L/C Opening Charges	15.00	15.00	15.00	15.00
4	Fees & Exp for restructuring	125.00	125.00	-	-





Tariff Order of H MEL for the year 2018 – 19 and 2019-20

5	Total (5=1+2+3+4)	152.00	152.00	27.00	27.00
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5.11 Income Tax:

5.11.1 H MEL has not claimed any amount under this head for the years 2018-19 and 2019-20, hence, no amount is considered for admission. However, if any tax liability arises and be met, the same would be addressed in the APR Petition.

5.12 Return on Equity:

5.12.1 H MEL has submitted to have considered the actual equity of Rs. 74278.52 lakh for the purpose of calculation of Return on Equity and has claimed Rs. 11513.17 lakh as ROE in each of the years of the control period.

5.12.2 The Commission considers the normative equity (30%) on the project cost as decided in paragraph 5.2.4 above and determines the admissible return on equity as below:

SI No	Particulars	Basis	Rs in lakh	
			2018-19	2019-20
1	Project cost (as per para 5.2.4 above)	A	178139.33	178139.33
2	Admissible equity (30% of A)	B	53441.80	53441.80
3	Rate of Return	C	15.50%	15.50%
4	Return on Equity as admitted	D = B x C	8283.48	8283.48

5.13 Filing charges:

H MEL has projected Rs. 10.00 lakh as filing charges during 2019 – 20. It is noted that, H MEL has already deposited a fees of Rs. 10.00 lakh along with this MYT petition in terms of Fees Regulations of WBERC. Being statutory in nature, the Commission admits the filing fees of Rs. 10.00 lakh.

5.14 Interest on Working Capital:





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5.14.1 H MEL has proposed for interest on normative working capital for the years 2018 – 2019 and 2019-20 to the extent of Rs. 405.82 lakh and Rs.1245.10 lakh respectively.

5.14.2 In terms of the second proviso to regulations 5.6.5.1 of the Tariff Regulations, as amended, working capital requirement for H MEL shall be assessed on normative basis @ 10% on the base amount derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc.

5.14.3 The interest on working capital is considered at Marginal Cost of Fund Based Lending Rate (MCLR) which came as a replacement of PLR w.e.f. 01.04.2016. The MCLR as on 01.04.2017 was 10.80% and as on 01.04 2018, the same was 10.25%. The Commission considers these rates for computation of interest on working capital for 2018-19 and 2019-20 respectively.

5.14.4 The interest on working capital is worked out as under considering the rates as mentioned in paragraph 5.14.3 above

Sl. No.	Particulars	2018-19	2019-20
1	Gross Annual Fixed charges now arrived excluding interest on working capital	39134.67	39461.68
2	Fuel Cost t as admitted	2666.66	55729.92
3	Sub Total (1+2)	41801.33	95191.60
	Less:		
4	Depreciation	6306.13	6306.13
5	Advance against depreciation	-	-
6	Deferred revenue expenditure	-	-
7	Return on Equity	8283.48	8283.48
8	Reserve for Unforeseen Exigencies	-	-
9	Sub Total (4 to 8)	14589.61	14589.61
10	Allowable Charges for working capital (3-9)	27211.72	80601.99
11	Normative requirement of Working Capital (10% of 10)	2721.17	8060.20
14	Interest allowable @ 10.80% on 11 for 18-19 & 10.25% on 11 for 19-20	293.89	826.17





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5.14.5 During APR of the concerned year, the interest on working capital as above will be reviewed on the amount assessed on normative basis considering the actual amount of interest paid as per regulation 5.6.5.2 of the Tariff Regulations.

5.15 Interest Credit:

5.15.1 In terms of regulation 5.5.3 of the Tariff Regulations, when the actual amount of loan repayment in any year falls short of the depreciation allowable during the year, the interest credit of such excess depreciation charges at the rate of weighted average cost of debt becomes admissible. HMEL has not projected any amount under this head. However, as there is no repayment, chargeable depreciation is more than the amount of loan repayable for that year and the Commission, accordingly, determines applicable interest credit as shown in the table below:

Sl. No.	Particulars	2018-19	2019-20
1	Depreciation as admitted in paragraph 5.9 (Rs. Lakh)	6306.13	6306.13
2	Repayment considered by HMEL in Form C (Rs Lakh)	-	-
3	Excess fund created (Rs. Lakh)	6306.13	6306.13
4	Weighted average rate of interest of existing loan (%)	13.40	13.40
5	Interest credit (Rs. Lakh)	845.02	845.02

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Annexure 5A

Table showing average inflation rate for 2018-19 & 2019-20 considering 60:40 weightage to WPI:CPI:

TREND OF INFLATION RATE FOR THE PERIOD APRIL 2017 to MARCH 2020	
Average inflation rate as per WPI for 2018-19	4.26%
Average inflation rate as per CPI for 2018-19	5.40%
Average inflation rate as per WPI + CPI (60:40) for 2018-19	4.72%
Average inflation rate as per WPI for 2019-20	1.67%
Average inflation rate as per CPI for 2019-20	7.54%
Average inflation rate as per WPI + CPI (60:40) for 2019-20	4.02%

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Annexure 5B

Summary of Fixed Cost

SI No	Descriptions	Figures in Rs. lakh			
		Petition		Admitted	
		2018-19	2019-20	2018-19	2019-20
A	O&M Expenses	2932.76	3106.68	2487.00	2586.00
B	Employee cost	4231.50	4621.50	3642.60	3837.60
C	Water charges	42.32	1171.45	1152.86	1171.40
D	Coal & Ash handling Expenses	66.67	400.00	109.68	114.15
E	Rent, Tax, levies, etc	290.45	290.45	290.45	290.45
F	Insurance	126.00	126.00	126.00	126.00
G	Filing charges	0.00	10.00	-	10.00
H	Consumption of stores & spares	600.00	600.00	-	-
I	Depreciation cost	9364.47	9364.47	6306.13	6306.13
J	Interest on Loan capital	25509.58	25509.58	16709.47	16709.47
K	Interest credit	0.00	0.00	-845.02	-845.02
L	Other Finance Charge	152.00	152.00	27.00	27.00
M	Return on Equity	11513.17	11513.17	8283.48	8283.48
O	Interest on WC	405.82	1245.10	293.89	826.07
	TOTAL FIXED COST	55234.75	58110.39	38583.54	39442.73

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CHAPTER – 6

SUMMARISED STATEMENT OF AGGREGATE REVENUE REQUIREMENT FOR 2018–2019 AND 2019 – 2020 AND REVENUE RECOVERABLE THROUGH TARIFF FOR THE YEARS 2018 – 2019 AND 2019 – 2020

- 6.1 Based on the analyses and findings recorded in the foregoing chapters, the statement of Aggregate Revenue Requirements (ARR) for each of the years of the sixth control period is now being drawn for the generating station of HMEL. Such summarized statements are given in Annexures 6A and 6B to this chapter.
- 6.2 The amount of revenue in respect of capacity charges and fuel charge to be recovered through tariff for the years 2018 – 2019 and 2019 – 2020 for the thermal power station of HMEL works out as under:

Sl No.	Particulars	Rupees in lakh	
		Total	
		2018 – 2019	2019-20
1	Aggregate Revenue Requirement for the years	41250.20	95172.75
2	Fuel cost admitted for the year	2666.66	55729.92
3	Capacity charge allowed for the year	38583.54	39442.83

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ANNEXURE – 6 A

AGGREGATE REVENUE REQUIREMENT FOR 2018-19

Figures in Rs. in lakh

Sl No	Particulars	As claimed by HMEL	Admitted
1	Fuel cost	3109.86	2666.66
2	Employee Cost	4231.50	3642.60
3	Coal and ash handling expenses	66.67	109.68
4	Water Charges	42.32	1152.86
5	Operation & Maintenance expenses	2932.76	2487.00
6	Consumption of Stores & Spares	600.00	
7	Insurance	126.00	126.00
8	Rent, rates & taxes	290.45	290.45
9	Interest on borrowed Capital	25509.58	16709.47
10	Other Finance Charges	152.00	27.00
11	Interest on Working Capital	405.82	293.89
12	Depreciation	9364.47	6306.13
13	ROE	11513.17	8283.48
14	Gross Revenue requirement (14 = sum 1 to 13)	58344.60	42095.22
15	Less Misc. other income	0	0
16	Less: Interest Credit	0	845.02
17	Net Total Revenue Required (17 = 14 – 15 - 16)	58344.60	41250.20

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Tariff Order of H MEL for the year 2018 – 19 and 2019-20

ANNEXURE – 6B

AGGREGATE REVENUE REQUIREMENT FOR 2019 - 20

SI No	Particulars	Figures in Rs. lakh	
		As claimed by H MEL	Admitted
1	Fuel cost	77720.49	55729.92
2	Employee Cost	4621.50	3837.60
3	Coal and ash handling expenses	400.00	114.15
4	Water Charges	1171.00	1171.40
5	Operation & Maintenance expenses	3106.68	2586.00
6	Consumption of Stores & Spares	600.00	
7	Insurance	126.00	126.00
8	Rent, rates & taxes	290.45	290.45
9	Filing Charges	10.00	10.00
10	Interest on borrowed Capital	25509.58	16709.47
11	Other Finance Charges	152.00	27.00
12	Interest on Working Capital	1245.10	826.17
13	Depreciation	9364.47	6306.13
14	ROE	11513.17	8283.48
15	Gross Revenue requirement (15 = sum 1 to 14)	135830.44	96017.77
16	Less Misc. other income	0	0
17	Less: Interest Credit	0	845.02
18	Net Total Revenue Required (18 = 15-16-17)	135830.44	95172.75

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CHAPTER – 7

TARIFF ORDER

- 7.1 Based on the analyses and the decisions recorded in the previous chapters, the Commission has determined the capacity charge and energy charge for 2018 – 19 and 2019 – 20 in respect of the generating station of HMEL as shown in chapter 6.
- 7.2 HMEL has submitted that, they have a long-term Power Purchase Agreement with West Bengal State Electricity Distribution Company Limited (WBSEDCL) for supply of power from unit-1 and unit-2 of HMEL.
- 7.3 The annual capacity charge recoverable by HMEL shall be on the following basis:
- The annual capacity charge recoverable by HMEL shall be on monthly basis depending on actual availability during the month with reference to the target normative annual availability subject to the conditions as laid down in regulation 6.11.4 of the Tariff Regulations.
 - The annual capacity charge is recoverable at the target normative annual availability as provided in following table for 2018 – 2019 and 2019 – 2020.

2018 – 2019		2019 – 2020	
Target normative availability factor	Annual capacity charge in Rs. lakh	Target normative availability factor	Annual capacity charge in Rs. lakh
85%	38583.54	85%	39442.83

- 7.4 The energy charge recoverable in 2018 – 2019 and 2019 – 2020 against injection of energy under implemented schedule on injection shall be as follows:





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

Generating Station	Energy Charge (Paisa/kWh)	
	2018 – 19	2019 – 20
HMEL	369.14	296.18

- 7.5 HMEL shall raise the energy charge bill and capacity charge bill as per the energy accounting and availability declared by State Load Despatch Centre (in short 'SLDC') in its monthly energy accounting schedule.
- 7.6 The tariff for 2018 – 19 and 2019 – 20 shall be applicable from 1st April, 2018 and 1st April, 2019 respectively. Adjustments, if any, for over recovery / under recovery from WBSEDCL for the period from 01.04.2018 till the month of issue of this order, shall be made in the monthly bills in 10 equal instalments commencing from the month succeeding the month of issue of this order. The rate for 2019 -20 will continue till further order of the Commission.
- 7.7 There will be no separate Monthly Fuel Cost Adjustment (MFCA) for HMEL on and from 01.04.2018 till the month of issue of this order. The MFCA realized, if any, by HMEL during the above-mentioned period will be adjusted in computation of any adjustments for over recovery / under recovery from the energy recipients as mentioned in paragraph 7.6 above. HMEL shall, however, be entitled to realize MFCA for any subsequent period after issuance of this tariff order as per provision of the Tariff Regulations.
- 7.8 In terms of regulation 2.8.6.7 of the Tariff Regulations, availability of installed capacity for any of the units of generating station of HMEL may be adjusted downward against enhanced performance of any of the other unit of HMEL, which may register capacity availability over the target availability. In such event, recovery of capacity charge and energy charge and also the manner of adjustment of such charges shall be such as specified in regulation 2.8.6.7 of the Tariff Regulations.
- 7.9 Any matter, which has not been explicitly mentioned in this order, shall be guided by regulations 2.9.8 and 2.9.9 of the Tariff Regulations.





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

- 7.10 For merit order despatch, SLDC / ALDC shall consider the energy charge of the generating station of HMEL as determined in this tariff order in a prospective manner. However, the MFCA declared after this tariff order will be added to the energy charge for consideration of merit order despatch from the respective date of issuance of the MFCA notifications. HMEL shall regularly update SLDC and ALDC in this respect.
- 7.11 HMEL shall present to the Commission a gist of this order in accordance with 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 aforesaid regulation within six (6) working days from the date of receipt of the approval of the Commission.

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CHAPTER - 8

DIRECTIONS

- 8.1 The Commission has given some directions in different paragraphs in Chapter 4 and Chapter 5 while determining the variable and fixed cost of HMEL. HMEL is to comply with those directions. Now, the Commission issues the following directions too, to HMEL in the instant Tariff Order.
- 8.2 HMEL shall note that as MFCA has been introduced, the amount that may be claimed in FCA at the end of any year is not expected to be higher than the summated value of following factors:
- a) impact due to rounding off as per note (f) under the sub- paragraph (d) of paragraph (B) of Schedule-7B of the Tariff Regulations against the applicable MFCA for the months of February and March of that year,
 - b) impact due to non-recovery of any additional fuel cost of March of any year over and above what is recovered on the basis of MFCA as calculated from data of February due to the fact that MFCA calculated on the basis of data of March becomes applicable for next financial year only,
 - c) impact due to application of disallowance of cost as per FCA formula at FCA determination stage.
- 8.3 While submitting APR application of any year, HMEL shall submit the certificates of the annual accounts of the said year from the statutory auditor for the following parameters:
- a) List of expenditure arising 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 separately.
 - b) Copies of the audited accounts of all the terminal benefit funds.





Tariff Order of HMEL for the year 2018 – 19 and 2019-20

- 8.4 HMEL shall submit a reconciliation statement from statutory auditor showing the claim vis-à-vis the actual amount shown in the audited account against each head of expenditure along with their APR petition.
- 8.5 While submitting application of APR, HMEL shall have to submit the following through affidavit:
- a) That no expenditure has been claimed by HMEL through the APR petition on employee or infrastructure or any other support or O&M activity pertaining to any other business of HMEL not related to their generation business.
- 8.7 All the reports called for in this chapter are in addition to what are statutorily required to be submitted, either in terms of the Act, any of the Regulations made thereunder, or both, for the purpose of submission in the Annual Performance Review.
- 8.8 HMEL shall comply with all the provision of Electricity Act 2003 and rules and regulations made thereafter.

Sd/-
(PULAK KUMAR TEWARI)
MEMBER

Sd/-
(DURGADAS GOSWAMI)
MEMBER

Sd/-
(SUTIRTHA BHATTACHARYA)
CHAIRPERSON

Dated:31.05.2021


(SECRETARY)



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West Bengal Electricity Regulatory Commission

