ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASE NO:

FPPCA – 21 / 07 – 08


PRESENT:
SHRI S. N. GHOSH, CHAIRPERSON
SHRI PRITITOSH RAY, MEMBER

DATE: 31.01.2008
1.1 CESC Ltd (hereinafter referred as the applicant) submitted an application to the West Bengal Electricity Regulatory Commission (referred as the Commission hereinafter) on 10th January, 2008, praying for an interim increase in the fuel cost inbuilt in the existing power tariff for the financial year 2007-08 in terms & Regulation No: 2.8.7.3 of Commission's (Terms and conditions of Tariff) (Amendment) Regulations, 2007. It has been submitted that the Coal India Limited revised the prices of the different grades of coal with effect from 12th December, 2007, whereby the average cost of coal at the pithead increased by 10%. The applicant asked for an ad-hoc increase in the cost of its supply to the consumers at the rate of 10 paise per unit toward fuel cost and to adjust such increase at the time of allowing fuel and power purchase cost adjustment for the concerned year.

1.2 The Commission has gone through the PRICE NOTIFICATION NO: CIL : S&M : GM(F) : pricing 1124 dated 12th December, 2007 and noticed that the prices had been hiked across all grades of coal and all coal fields except North Eastern Coal filed where hike is found 15%. Such hike in the price of coal was not envisaged due to obvious reasons when the average cost of supply of the applicant was determined by the Commission for the year 2007-08 on 26th July, 2007 in case No: TP-30/07-08. Besides having direct effect on the applicant’s cost of generation, the hike in the coal price will have an impact on the purchase price of energy as will be payable by the applicant. The quantum of purchase during 2007-08 has been estimated to be around 19% of the energy requirement in applicant’s system for distribution. The statement of Energy Balance at paragraph 5.8 of the Commission’s Tariff Order dated 26.07.2007 in this regard may be referred to. After the careful consideration of all the related aspects, the Commission feels that such a sharp rise in the administered price of coal will result in a significant upward adjustment of the current tariff through FPPCA route. The accumulation of the resultant effect till the time FPPCA falls normally due would be against the interest of the consumers as well as of the distribution licensee. The Commission, therefore, considers it a fit case for allowing some
interim adjustments provisionally subject to final adjustment of the same in FPPCA for concerned year. The rate of such interim adjustment should be based on a rational estimate without diluting any of the fuel consumption norms and other operational efficiencies considered for the applicant in the tariff order of the Commission for the concerned year. This aspect is being examined in the next Chapter.
CHAPTER – 2
ESTIMATION OF THE RATE OF INTERIM RECOVERY OF ADDITIONAL FUEL COST

2.1 The hike in the pit head prices of all grades of coal with effect from mid night of 12th December, 2007, i.e., Zero Hours of 13th December, 2007, had been notified by the Coal India Limited on 12.12.2007. Considering the normal lead time between the procurement and consumption of coal at generating stations and also of the fact that the month of January, 2008 is already over, the Commission considers to allow the interim recovery of additional fuel cost with effect from the billing month of February, 2008. Hence, the estimation of the rate of such additional recovery has been based on the proportionate data for the last two months of the financial year 2007-08, i.e., February and March, 2008. The estimation is shown hereunder:

2.2 ESTIMATION OF THE IMPACT OF HIKE IN COAL PRICE

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Item</th>
<th>Unit</th>
<th>Reference to the Commission’s Tariff Order for 2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total fuel cost allowed</td>
<td>Rs. 91987 Lakh</td>
<td>Statement of Revenue Requirement in Chapter 7 of the Tariff Order dated 26-07-2007 in case No: TP-30 / 07-08</td>
</tr>
<tr>
<td>2.</td>
<td>Of which cost of coal</td>
<td>Rs. 87795 Lakh</td>
<td>Statement of admitted fuel cost at paragraph 5.9.5 of the above referred order.</td>
</tr>
<tr>
<td>3.</td>
<td>Fright on account of coal</td>
<td>Rs. 16636 Lakh</td>
<td>As per the submission of the applicant at page 247 – 250 of Volume of the tariff application.</td>
</tr>
<tr>
<td>4.</td>
<td>Cost of coal excluding fright (2 – 3)</td>
<td>Rs. 71159 Lakh</td>
<td></td>
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<tr>
<td>5.</td>
<td>Proportionate cost of quantity relating to export</td>
<td>Rs. 2949 Lakh</td>
<td>Paragraph 6.20 read with paragraph 5.9.5 and 5.8 of the Tariff Order.</td>
</tr>
<tr>
<td>6.</td>
<td>Net Cost of Coal recoverable from consumers as per tariff order (4-5)</td>
<td>Rs. 68210 Lakh</td>
<td></td>
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<tr>
<td>7.</td>
<td>Proportionate Net Coal Cost recoverable from consumers for two months.</td>
<td>Rs. 11368 Lakh</td>
<td></td>
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<tr>
<td>8.</td>
<td>Hike in Coal price requiring to be considered 10% of 7</td>
<td>Rs. 1137 Lakh</td>
<td></td>
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<tr>
<td>9.</td>
<td>Proportionate Sales to Consumers during two months 6714/6</td>
<td>1119 MU</td>
<td></td>
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<tr>
<td>10.</td>
<td>Addition recovery required (8/9)</td>
<td>10.16 Paise / kwh Say 10.00 Paise / kwh</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER – 3

ORDERS

3.1 In consideration of the facts brought out in the foregoing Chapters, the Commission decides to allow the applicant an interim recovery of addition fuel cost at the rate of 10.00 (ten) paise per unit (kwh) from its consumers subject to adjustment at the time of allowing FPPCA for the year 2007 – 08 and orders as under:

(i) Such additional recovery at the rate as stated above will be given effect from the billing month of February, 2008.

(ii) The additional recovery at this specified rate will continue till the time power tariff is determined by the Commission for the financial year 2008 – 09.

3.2 In its FPPCA application for the financial year 2007 – 08, the applicant will submit a certificate from its auditors in regard to the actual quantum of sale during billing months February and March 2008 and the total amount of addition recovery under this order for the above stated period. This will be in addition to other audit certificates and compliance as will be required under the Regulations of the Commission.

Sd/-
(Prititosh Roy)
Member

Sd/-
(S.N. Ghosh)
Chairperson

Dated: 31.01.2008