DRAFT UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION
(MULTI YEAR TARIFF FOR DISTRIBUTION, TRANSMISSION & SLDC) REGULATIONS, 2020

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No. [……………………………………….]

In exercise of the powers conferred by Clause (h), (i), (j), (l), (m), (o), (y), (zd), (ze), (zf), (zg), (zh) and (zp) of Sub- Section (2) of Section 181 read with the Proviso to Sub- Section (1) of Section 36, Sub- Clause (ii) of Clause (d) of Sub- Section (2) of Section 39, Second Proviso to Sub- Clause (ii) of Clause (d) of Sub- Section (2) of Section 39, Sub- Clause (ii) of Clause (c) of Section 40, Second Proviso to Sub- Clause (ii) of Clause (c) of Section 40, First Proviso to Section 41, First Proviso to Section 51, Section 61, Sub- Sections (2) and (5) of Section 62, Sub- Sections (1) and (3) of Section 64, Section 65 and Clause (b) of Sub-Section (1) of Section 86 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, the Uttar Pradesh Electricity Regulatory Commission hereby makes the following Regulations. These Regulations shall supersede the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 and Uttar Pradesh Electricity Regulatory Commission (Multi Year Transmission Tariff) Regulations, 2014.

1 Short title, Extent, Applicability and Commencement

1.1 These Regulations may be called the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution, Transmission & SLDC) Regulations, 2020.

1.2 These Regulations shall extend to the whole of the State of Uttar Pradesh.

1.3 These Regulations shall be applicable to existing and future Distribution Licensees, Transmission Licensees, State Load Despatch Centre (SLDC), and their successors for determination of Aggregate Revenue Requirement (ARR), Tariff or Fees and Charges in all matters covered under these Regulations from April 01, 2020 up to March 31, 2025.

1.4 These Regulations shall come into force from April 01, 2020 and will be published in the Official Gazette of the Government of Uttar Pradesh.

Provided that for all purposes, the issues relating to determination of ARR, Tariff or Fees and Charges, Annual Performance Review, True- Up and related matters, including review matters, for respective Financial Years shall be governed by the respective Tariff Regulations applicable for that specific year.

2 Definitions

2.1 In these Regulations, unless the context otherwise requires:

(1) “**Act”** means the Electricity Act, 2003 (36 of 2003), as amended from time to time;

(2) **'Additional Capitalization'** means the capital expenditure incurred or projected to be incurred, after the date of commercial operation of the project and admitted by the Commission after prudence check, subject to provisions of these Regulations;

(3) **"Aggregate Revenue Requirement" or "ARR"** means the costs pertaining to the licensed business which are permitted, in accordance with these Regulations, to be recovered from the Tariffs or Fees and Charges determined by the Commission;

(4) **"Allocation Statement"** means for each Financial Year, statements in respect of each of the businesses (Wheeling, Retail Supply, Other Business) of the Licensee, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc., which has been either:

a) Determined by apportionment or allocation between different Businesses of the Licensee, including the licensed Business, together with a description of the basis of the apportionment or allocation; or
b) Charged from or to each such Other Business together with a description of the basis of that charge.

(5) "**Allotted Transmission Capacity**" means the power transfer in MW between the specified point(s) of injection and point(s) of drawal allowed to a long-term transmission customer (including distribution licensee) on the intra-state transmission system under the normal circumstances and the expression "allotment of transmission capacity" shall be construed accordingly

Allotted Transmission Capacity to a long-term transmission customer shall be sum of the generating capacities allocated to the long-term transmission customer from the State/Central Generating Stations and the contracted power, if any;

(6) **"Availability"** in relation to a Transmission System for a given period means the time in hours during that period for which the Transmission System is capable of transmitting electricity at its rated voltage, expressed in percentage of total hours in the given period, and shall be computed as provided in **Annexure-B** of these Regulations;

(7) "**Base Year**" means FY 2019-20 i.e. the Financial Year immediately preceding first year of the Control Period and used for the purpose of these Regulations;

(8) "**Change in Law**" means occurrence of any of the following events:

a) enactment, bringing into effect or promulgation of any new Indian law; or
b) adoption, amendment, modification, repeal or re-enactment of any existing Indian law; or
c) change in interpretation or application of any Indian law by a competent court, Tribunal or Indian Governmental Instrumentality, which is the final authority under law for such interpretation or application; or

d) change by any competent statutory authority in condition or covenant of any consent or clearances or approval or Licence available or obtained for the Project; or

e) coming into force or change in any bilateral or multilateral agreement or treaty between the Government of India and any other Sovereign Government having implications for the Transmission System regulated under these Regulations;

(9) "**Commission**" means the Uttar Pradesh Electricity Regulatory Commission (UPERC);

(10) "**Conduct of Business Regulations**" means the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 and its subsequent amendments / addendum & the new Regulations made after repeal of the same.

(11) "**Control Period**" means the period comprising five years from April 1, 2020 to March 31, 2025, and as may be extended by the Commission;

(12) **"Cut-off Date"** means the 31st March of the year closing after two years of the year of commercial operation of the project and, in case a project is declared under commercial operation in the last quarter of a year, the cut-off date shall be the 31st March of the year closing after three years of the year of commercial operation;

(13) **"Date of Commercial Operation" (COD)** means:

a) in case of Distribution Licensee shall mean the date of charging of electrical line or substation of a Distribution Licensee to its declared voltage level or seven days after the date on which it is declared ready for charging by Distribution Licensee but not able to be charged for reasons attributable to its consumers;

b) in relation to Transmission System shall mean the date declared by the Transmission Licensee from 0000 hour of which element of the Transmission System is in regular service after successful charging and trial operation for transmitting electricity and communication signal from sending end to receiving end.

Provided that where the transmission line or Substation is dedicated for evacuation of power from a particular generating station, the generating company and Transmission Licensee shall endeavour to Commission the generating station and the Transmission System simultaneously as far as practicable and shall ensure the same through appropriate Implementation Agreement.

Provided further that in case a Transmission System or an element thereof is prevented from regular service for reasons not attributable to the Transmission Licensee or its supplier or its contractors but is on account of the delay in Commissioning of the concerned generating station or in Commissioning of the upstream or downstream Transmission Licensee shall approach the Commission through an appropriate application for approval of the date of commercial operation of such Transmission System or an element thereof.

Provided further that in case of an existing Transmission Licensee, such request may be included as part of its Multi Year Tariff (MYT) Petition or Annual Performance Review Petition or True- Up Petition to be filed under these Regulations.

(14)“**Distribution System**” means the system of wires and associated facilities between the delivery points on the transmission lines or the generating station connection and the point of connection to the installation of the consumers.

(15)“**Financial Year**” means a period commencing on April 1 of a calendar year and ending on March 31 of the subsequent calendar year;

(16)**“Force Majeure”** for the purpose of these Regulations means the event or circumstance or combination of events or circumstances including those stated below which partly or fully prevents Distribution Licensee or Transmission Licensee to complete the project within the time specified in the Investment Approval, and only if such events or circumstances are not within the control the Distribution Licensee or Transmission Licensee and could not have been avoided, had the Distribution Licensee or Transmission Licensee taken reasonable care or complied with prudent utility practices:

a) Act of God including lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, or exceptionally adverse weather conditions which are in excess of the statistical measures for the last hundred years; or

b) Any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or

c) Industry wide strikes and labour disturbances having a nationwide impact in India;

(17) **“Implementation Agreement”** means the Agreement, Contract or Memorandum of Understanding, or any such covenant, entered into between the Transmission Licensees and the long-term Transmission customer for construction of the Transmission system;

(18)**"License"** means a license granted under clause (b) of section 14 of the Act;

(19)**“Licensed Business”** means the functions and activities, which the license is required to undertake in terms of the license granted by the Commission or being a deemed Licensee under the Act;

(20) **"Licensee"** means a person who has been granted a license under clause (b) of section 14 of the Act and shall include a deemed license;

(21) **"Long- term Transmission customer"** means a person having a long- term lien of exceeding five years over an inter / intra- State Transmission system by virtue of paying transmission charges and a Distribution Licensee shall necessarily be a long-term user for which it will be required to enter into appropriate agreement with the Transmission Licensee;

(22) "**Non-Tariff Income**" means the income relating to the licensed Business other than from Tariff (Wheeling and Retail Supply), and including Delayed Payment Surcharge, Supervision Charges etc.;

(23) **"Other Business"** means any business of the Licensee for an optimum utilization of its assets within the meaning of Section 51 of the Act;

(24) **"Open Access consumer"** means a consumer permitted by the Commission to receive supply of electricity from a person, other than Distribution Licensee of his area of supply, and the expression includes a Generating Company and a Licensee, who has availed of or intends to avail of Open- Access.

(25) **"Rated voltage"** means the manufacturer's design voltage at which the Transmission System is designed to operate and includes such lower voltage at which Transmission line is charged or for the time being charged, in consultation with long- term Transmission customers;

(26) "**Retail Supply Business**" means the Business of sale of electricity by a Distribution Licensee to the consumers within the area of supply in accordance with the terms of the licence for distribution and retail supply of electricity;

(27) **"Retail Supply Tariff**" is the Tariff charged by the Distribution Licensee for supply to non- Open Access consumers which includes charges for Wheeling and Retail Supply;

(28) **"Short term Transmission Customer"** in the context of usage of Transmission System means a person having a short- term lien for a period of upto one year over an inter / intra- State Transmission system by virtue of paying transmission charges;

(29) **"Transmission Service Agreement"** means the Agreement, Contract, Memorandum of Understanding, or any such covenant, entered into between the Transmission Licensees and the long-term Transmission customer for the operational phase of the Transmission system;

(30) **"Transmission System"** means a line or a group of lines together with or without associated Sub- Stations, and includes equipment associated with Transmission lines and Sub- Stations;

(31) "**Wheeling Charges"** means the charges for the use of Distribution System and associated facilities of a Distribution Licensee by another person for the conveyance of electricity to be determined under Section 62 of the Act.

(32) "**Wheeling Business**" means the business of operating and maintaining a Distribution System for conveyance of electricity in the area of supply of the Distribution Licensee.

2.2 The words and expressions used and not defined in these Regulations, but defined in the Act, shall have the meanings respectively assigned to them in the Act. Expressions used herein but not specifically defined in these Regulations or in the Electricity Act, 2003 but defined under any law passed by a competent legislature and applicable to the electricity industry in the state shall have the meaning assigned to them in such law. Expressions used herein but not specifically defined in the Regulations or in the Acts or any law passed by a competent legislature shall have the meaning as is generally assigned in the electricity industry.

2.3 The words "Application" or "Petition" shall be interpreted synonymously.

2.4 In the interpretation of these Regulations, unless the context otherwise requires:

a) words in the singular or plural term, as the case may be, shall also be deemed to include the plural or the singular term, respectively;
b) references herein to the "Regulations" shall be construed as a reference to these Regulations as amended or modified by the Commission from time to time in accordance with the applicable laws in force;
c) the headings are inserted for convenience and may not be taken into account for the purpose of interpretation of these Regulations;
d) references to the Statutes, Regulations or Guidelines shall be construed as including all statutory provisions consolidating, amending or replacing such Statutes, Regulations or Guidelines, as the case may be.
e) in case of dispute in interpretation between English and Hindi version of these Regulations, English version shall prevail.

PART- A: GENERAL PRINCIPLES

3 Multi-Year Tariff Framework

3.1 The Multi-Year Tariff framework shall be based on the following elements, for computation of ARR and expected revenue from Tariff or Fees and Charges:

(i) A detailed Business Plan based on the Operational Norms and trajectories of performance parameters as specified in these Regulations, for each year of the Control Period;

(ii) A Multi-Year ARR Petition comprising the forecast of ARR, expected revenue from existing Tariff or Fees (including deemed revenue, if any) and Charges and expected revenue gap for each year of the Control Period, shall be submitted by the Licensee / SLDC along with audited / provisional accounts of previous year and provisional accounts of 6 months of the current year;

(iii) Determination of the ARR will be done by the Commission for each year of the Control Period, at the start of the Control Period through an MYT Order;

Provided that the Commission may also approve the sharing proportion amongst the Transmission System Users of the SLDC Fees and Charges for the Control Period;

(iv) Annual Performance Review (APR) of operational and financial performance vis-à-vis the approved forecast shall be submitted annually by the Licensee or SLDC for the 2nd, 3rd, 4th and 5th year of the Control Period;

(v) True- Up shall be submitted annually by the Licensee / SLDC for each year as stipulated in these Regulations;

(vi) Petition for proposed Tariff or Fees and Charges for each year of the Control Period shall be submitted annually by Licensee / SLDC;

(vii) The mechanism for treatment of approved gains or losses on account of controllable and uncontrollable factors as specified by the Commission in these Regulations;

4 Petitions to be filed in the Control Period

4.1 The Petitions to be filed in the Control Period under these Regulations will comprise of the following:

Filing date	True- Up	APR	ARR	Revenue from existing Tariff	Determination of Tariff or Fees and Charges
30.11.2019	FY 2018-19 (as per MYT Regulations, 2014)	FY 2019-20 (as per MYT Regulations, 2014)	Business Plan and ARR for the Control Period	For whole Control Period	FY 2020-21
30.11.2020	FY 2019-20 (as per MYT Regulations, 2014)	FY 2020-21	-	For the remaining period of the Control Period	FY 2021-22
30.11.2021	FY 2020-21	FY 2021-22	-	For the remaining period of the Control Period	FY 2022-23
30.11.2022	FY 2021-22	FY 2022-23	-	For the remaining period of the Control Period	FY 2023-24
30.11.2023	FY 2022-23	FY 2023-24	-	For the remaining period of the Control Period	FY 2024-25

Provided that in case the Licensee / SLDC feels that there is a requirement of change in ARR in a particular year of the Control Period then, they would also file the revised ARR along with True- Up, APR and Tariff Petition of that year;

Provided that the Commission in any year of the Control Period may direct the Licensee / SLDC to file revised ARR along with the True- Up, APR and Tariff in case it feels so, along with the reasons;

Provided that the Commission may initiate Suo- Moto proceedings on revised ARR, True- Up, APR and Tariff in case the Licensee fails to follow its directions or as stipulated in these Regulations.

4.2 The Petitioner shall submit the data regarding the above as per Guidelines and Formats prescribed by the Commission;

Provided that, in case complete accounting segregation has not been done between the Distribution Wires Business and Retail Supply Business of a Distribution Licensee, its ARR shall be apportioned between the Distribution Wires Business and Retail

Supply Business in accordance with the provisions of Allocation Matrix to be prepared by the Licensee and submitted to the Commission`s requirement and approval..

5 Business Plan and Multi Year ARR Petition

5.1 The Licensee or SLDC shall file a Business Plan duly authorized by the Board of Directors or by any Committee / person authorized by the Board in this regard, for the Control Period of five Financial Years i.e. from April 01, 2020 to March 31, 2025, which shall comprise but not limited to category- wise Sales and Demand projections, Power Procurement Plan and Forecasting, Renewable Purchase Obligation (RPO) Planning and Forecasting, Distribution Loss trajectory, Capital Investment Plan, Financing Plan and physical targets, in accordance with Guidelines and Formats as may be prescribed by the Commission and accompanied by applicable fees, fines and penalty.

5.2 The Capital Investment Plan shall show separately, on-going projects that will spill over into the Control Period, and new projects (with justification) that will commence in the Control Period but may be completed within or beyond it, for which relevant technical and commercial details shall be provided.

5.3 Based on the Business Plan, the Multi-Year ARR Petition shall include a forecast of ARR for each year of the Control Period and forecast of expected revenue from Tariff (including deemed revenue, if any) for first year of the Control Period in the manner specified in these Regulations.

The Licensee or SLDC shall also submit a statement on the status of compliance of directives, if any, issued by the Commission in its last Tariff Order, along with the aforesaid Petition.

5.4 The Distribution Licensee shall project the realistic power purchase requirement optimised on cost from all Generating Stations and other sources considered for power purchase based on the Merit Order Despatch principles, the Renewable Purchase Obligation (RPO) specified by the Commission under the relevant Regulations and their subsequent amendments, and the target set, if any, for Energy Efficiency (EE) and Demand Side Management (DSM) schemes etc.;

Provided that Merit Order Despatch principles shall not apply to purchase of power from Renewable Energy sources up to the RPO specified by the Commission.

5.5 The forecast of expected revenue from Tariff or Fees and Charges shall be based on the following:

(a) In the case of a Transmission Licensee, estimate of ARR or estimates of Transmission Capacity allocated to Transmission System Users, as appropriate;

(b) In the case of a Distribution Licensee, estimates of quantum of electricity to be supplied to consumers and wheeled on behalf of Distribution System Users;

Provided that the Distribution Licensee shall submit relevant details of cconsumer category / sub- category wise sales projections (metered and un-metered) along with norms for unmetered, status of metering, feeder level / distribution transformer metering, diversity factor for various category of consumers taking seasonality under consideration etc. for each Distribution Licensee area;

(c) Prevailing Tariff or Fees and Charges as on the date of filing of the Petition.

5.6 Based on the forecast of ARR and expected revenue from Tariff or Fees and Charges, the Licensee or SLDC shall submit the proposed Tariff or Fees and Charges, category / sub- category wise if applicable, for first year of the Control Period, that would meet the gap, if any, in the ARR of the first year of the Control Period, including unrecovered revenue gaps of previous years to the extent proposed to be recovered.

5.7 The Commission will conduct a Technical Validation Session prior to admission of the Petition. On completion of the required proceedings and submissions made to the satisfaction of the Commission, the Commission will issue an Admittance Order after which the Licensee would be required to publish the details of the submission covering True-Up / APR / ARR / Tariff or Fees and Charges etc. newspapers.

5.8 On receipt of the Petition, the Commission shall, within one hundred and twenty days from admittance, after considering all suggestions and objections received from the stakeholders and public at large:

(a) Issue a Tariff Order accepting the Petition with such modifications or such conditions as may be specified in that Order; or

(b) Reject the Petition for reasons to be recorded in writing if such Petition is not in accordance with the provisions of the Act and the rules and Regulations made there under or any other provisions of law, after giving the Petitioner a reasonable opportunity of being heard.

6 True- Up

6.1 The Commission shall carry out Truing- Up exercise stipulated in the provisions of these Regulations. An Order for True- Up of Expenses and Revenue shall be on the basis of actual expenses and revenue booked in the audited books of account of the Licensee / SLDC for the Financial Year.

7 Annual Performance Review

7.1 The Licensee or SLDC shall file, Annual Performance Review (APR) as provided in Regulation 4.1 of these Regulations;

Provided that the Petition shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of books of account and such other details etc. as per the Guidelines and Formats specified by the Commission for assessing the reasons of any difference in operational and financial performance from the approved forecast of ARR and expected revenue from Tariff or Fees and Charges.

7.2 The Commission if feels appropriate, may issue Orders on the APR accordingly.

8 Controllable and Uncontrollable Factors

8.1 The “Uncontrollable Factors” shall comprise the following factors which were beyond the control of, and could not be mitigated by the Licensee or SLDC, as determined by the Commission:

(a) Force Majeure events;

(b) Change in Law;

(c) Variation in Sales;

(d) Variation in the cost of power purchase due to variation in the rate of power purchase from approved sources, subject to clauses in the power purchase agreement or arrangement approved by the Commission;

(e) Variation in market interest rates for long-term loans, and

(f) Other expenses- It will cover expenses like salary revision effected because of Pay Commissions or any other expenses allowed by the Commission after prudence check.

Provided that where the Petitioner believes, for any variable not specified above, that there is a material variation or expected variation in performance for any Financial Year on account of uncontrollable factors, such applicant may apply to the Commission along with all the details and analysis for inclusion of such variable at the Commission’s sole discretion, under these Regulations for such Financial Year.

8.2 Variations or expected variations in the performance of the Petitioner which may be attributed by the Commission to Controllable Factors include, but are not limited to the following:

(a) Variations in Capital Expenditure on account of time and / or cost overruns / efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or Force Majeure events;

(b) Variation in Interest and Finance charges, Return on Equity, and Depreciation on account of variation in capitalisation as specified in clause (a) above;

(c) Variation in Distribution losses;

(d) Variation in Operation & Maintenance expenses.

9 Mechanism for treatment of gains or losses on account of Uncontrollable Factors

9.1 The approved aggregate gain or loss to the Licensee or SLDC on account of Uncontrollable Factors shall be adjusted in the ARR or Tariff of the Licensee or SLDC, as specified in these Regulations and as may be determined in the Order of the Commission passed under these Regulations.

9.2 The aggregate gain or loss to a Distribution Licensee on account of variation in power purchase, covered under Regulation 8.1, shall be passed through under the Incremental Power Purchase adjustment in accordance with Regulations 17 of these Regulations.

10 Mechanism for treatment of gains or losses on account of Controllable factors

10.1 The approved aggregate gain to the Licensee or SLDC on account of Controllable factor except gain on account of over-achievement of distribution loss shall be dealt with in the following manner:

a) One-half of the amount of such gain shall be passed on as an adjustment in the ARR during True- Up.
b) The balance amount of such gain, will be retained by Licensee or SLDC.

10.2 The approved aggregate loss to the Licensee or SLDC on account of Controllable factors shall be on account of the Licensee or SLDC itself.

10.3 Distribution loss trajectory for each Distribution Licensee is as stipulated in these Regulations. The gain of the Distribution Licensee on account of reduction in Distribution losses, as stipulated in these Regulations, will be fully retained by the Distribution Licensee.

PART- B: PROCEDURE FOR DETERMINATION OF ARR / TARIFF

11 Determination of Tariff or Fees and Charges for Licensee / SLDC

11.1 The Commission shall determine the ARR, Tariff or Fees and Charges for Licensee / SLDC, upon consideration of a Petition filed by the Licensee / SLDC in accordance with the procedure contained in these Regulations.

11.2 The Commission shall determine the ARR / Tariff or Fees and Charges for the Licensee / SLDC for:

(a) Transmission Licensees, in accordance with the terms and conditions contained in **Part E** of these Regulations;

(b) Distribution Licensee, in accordance with the terms and conditions contained in **Part F** of these Regulations; and

(c) SLDC, in accordance with the terms and conditions contained in **Part G** of these Regulations.

11.3 The Petitioner shall provide, as part of its Petition and in such form as may be stipulated by the Commission, details of computation of the ARR and expected revenue from Tariff (including deemed revenue, if any) or Fees and Charges, and thereafter shall furnish such further information or particulars or documents as received by the Commission:

Provided that the Petition shall be accompanied by a detailed Tariff revision proposal showing category-wise Tariffs or Fees and Charges and how such revision would meet the gap / surplus, if any, in ARR;

Provided also that the Commission will conduct a Technical Validation Session prior to admission of the Petition.

11.4 Upon receipt of a complete Petition accompanied by the requisite information, particulars and documents in compliance with the requirements specified in these Regulations as per the satisfaction of the Commission, the Petition shall be admitted vide issuance of an Admittance Order.

11.5 The Petitioner shall within three days publish a Public Notice in at least two English and two Hindi daily newspapers having wide circulation in its Licensee area, outlining the ARR, proposed Tariff, True-Up and such other matters as may be directed by the Commission, and inviting suggestions and objections from the stakeholders and public at large:

Provided further that the Petitioner shall also upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and documents in the manner stipulated by the Commission;

Provided also that the Petitioner may be exempted by the Commission from providing any such information, particulars or documents considered confidential in nature.

11.6 The Petitioner shall furnish to the Commission all such books and records (or certified true copies thereof), including the Accounting Statements, operational and cost data and performance related data as may be required by it for determination of ARR / Tariff.

12 Tariff Order

12.1 The Commission shall, within one hundred and twenty days from the date of admittance and after considering all suggestions and objections received from the stakeholders and Public at large:

(a) issue a Tariff Order accepting the Petition with such modifications or conditions as may be stipulated in that Order;

(b) reject the Petition for reasons to be recorded in writing if such Petition is not in accordance with the provisions of the Act and the rules and Regulations made there under or any other provisions of law, after giving the Petitioner a reasonable opportunity of being heard.

12.2 The Petitioner shall publish the Tariff approved by the Commission in at least two English and two Hindi daily newspapers having wide circulation in its Licence area, provide the approved Tariff schedule on its website.

12.3 The Tariff so published shall be in force from the date stipulated in the Order and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein.

PART C: POWER PROCUREMENT

13 Applicability

The Regulations contained in this Part shall apply to power procurement by a Distribution Licensee from a Generating Station or Trading Licensee or Distribution Licensee or from any other source through agreement or arrangement for purchase of power for Distribution and Supply within the State.

14 Power procurement guidelines

14.1 The Distribution Licensee shall undertake its power procurement during the year in accordance with the power procurement plan for the full Control Period, which may include long-term, medium-term and short-term power procurement, approved and capped, if any, by the Commission as stipulated in these Regulations.

15 Power procurement plan

15.1 The Distribution Licensee shall prepare a plan for procurement of power to serve the demand for electricity in its area of supply and submit such plan to the Commission for approval:

Provided that such power procurement plan for the full Control Period shall be submitted along with the Petition for Business Plan for the Control Period from April 1, 2020 to March 31, 2025, as stipulated in these Regulations;

15.2 The power procurement plan of the Distribution Licensee must follow Merit Order Dispatch and be optimized on cost and shall comprise the following:

(a) A quantitative forecast of the unrestricted base load and peak load for electricity within its area of supply;

(b) An estimate of the optimum quantities of electricity supply from the identified sources of power purchase, including own generation if any;

(c) An estimate of adequate availability of power to meet the base load and peak load requirement:
Provided that such estimate of demand and supply shall be on month-wise basis in Mega-Watt (MW) along with the Plant Load factor (PLF) of the plant as well as expressed in Million Units (MU).

(d) Standards to be maintained with regard to quality and reliability of supply, in accordance with the relevant Regulations or Orders of the Commission;

(e) Measures proposed for Energy Conservation, Energy Efficiency, and Demand Side Management;

(f) The requirement for new sources of power procurement, including augmentation of own generation capacity, if any, and identified new sources of supply, based on (a) to (e) above;

(g) The sources of power, quantities and cost estimates for such procurement;

(h) Power Purchase Agreements (PPAs) and contracts / agreements entered to meet the load requirement.

(i) Impact of renewables on overall demand/ power procurement.

(j) Any other as required by the Commission.

Provided that the forecast or estimates contained in the long-term procurement plan shall be separately stated for peak and off-peak periods, in terms of quantities of power to be procured (in MU) and maximum demand (in MW);

15.3 The forecast or estimate shall be prepared using forecasting techniques based on past data and reasonable assumptions regarding the future;

Provided that the forecast or estimate shall take into account factors such as overall economic growth, consumption growth of electricity-intensive sectors, advent of competition in the electricity sector, trends in captive power, impact of loss reduction initiatives, variation in Generating Station Plant Load Factors, fuel supply and cost, impact of renewables and other relevant factors, coming up of new Generation Sources / Capacities or choosing of existing generator source / capacities etc.

15.4 Where the Commission has specified a percentage of the total consumption of electricity in the area of a Distribution Licensee to be purchased from co-generation or renewable sources of energy, the power procurement plan shall include the plan for procurement from such sources up to the specified level.

15.5 The Distribution Licensee shall forward a copy of its power procurement plan to the State Transmission Utility for verification of its consistency with the Transmission System plan for the Intra-State Transmission System.

Provided that the Distribution Licensee shall also consult the State Transmission Utility at the time of preparation of the power procurement plan, to ensure consistency of such plan with the Transmission System plan.

15.6 The Commission may impose a cap on the average rate of Long / Medium / Short Power Purchase.

15.7 Prior approval of the Commission shall not be required for purchase of power from Renewable Energy sources at the generic / Feed- In Tariff determined by the Commission under various Regulations for meeting its RPO.

16 Additional Power Procurement

16.1 The Distribution Licensee may undertake additional power procurement during the year, over and above the power procurement plan for the Control Period approved by the Commission, as stipulated in these Regulations.

16.2 Where there has been an unanticipated increase in the demand for electricity or a shortfall or failure in the supply of electricity from any approved source of supply during the Year, the Distribution Licensee may enter into additional agreement or arrangement for procurement of power.

16.3 Any variation, during the first or second block of six months of a Financial Year, in the quantum or cost of power procured, including from a source other than a previously approved source, that is expected to be in excess of five per cent of that approved by the Commission, shall require prior approval;

Provided that the five per cent limit shall not apply to variations in power purchase that is being allowed to be recovered in the form of Incremental Power Purchase Cost.

16.4 Where the Distribution Licensee has identified a new short-term source of supply from which power can be procured at a Tariff that reduces its approved total power procurement cost, it may enter into a short-term power procurement agreement or arrangement with such supplier without the prior approval of the Commission. However, the Distribution Licensees should ensure that the total tariff for procurement of power from such sources is less than the Variable Cost of the Long / Medium Term Power Purchase Sources.

16.5 The Distribution Licensee may enter into a short-term arrangement or agreement for procurement of power without the prior approval of the Commission when faced with emergency conditions that threaten the stability of the Distribution System, or when directed to do so by the SLDC to prevent Grid failure.

16.6 Where the Commission has reasonable grounds to believe that the agreement or arrangement entered into by the Distribution Licensee does not meet the criteria specified in Regulations 16.2 to 16.5, it may disallow any increase in the total cost of power procurement over the approved level arising there from or any loss incurred by the Distribution Licensee as a result, from being passed through to consumers.

17 Treatment of Incremental Power Procurement Cost

17.1 Identification of Incremental cost and process of recovery

a) The Distribution Licensee shall recover the incremental cost computed on quarterly basis incurred due to the following:

   i. Cost due to variation in fuel surcharge rate

   ii. Cost of incremental power required over and above the plan approved by the Commission as stipulated in these Regulations.

b) The incremental cost on account of variation in fuel surcharge rate shall be computed and charged on the basis of actual variation in fuel surcharge rate vis-a'-vis the same approved in the Tariff Order and shall not be computed on the basis of estimated or expected variation in fuel surcharge rate.

c) The incremental cost due to incremental power purchase (including power procured in Regulation 16.4 and 16.5), shall be computed on the basis of formula provided in Regulation 17.2.

d) The Distribution Licensee shall submit details of the incremental cost incurred and to be charged to all consumers for the nth quarter, along with the detailed computations and supporting documents as may be required for verification by the Commission within first month of (n+2)th quarter.

e) The Commission shall examine the incremental cost to be charged by the Distribution Licensee against supporting documents as submitted:

   Provided that discrepancies, if any, shall be notified to the Distribution Licensee within a month.

17.2 Formula for computation of Incremental cost:

$$\mathbf{IC_n = C_{n-2} + A_{n-1}}$$

Where,

IC_n is the Incremental Charge for the nth quarter in Rs Crore;

C_{n-2} is the change in fuel (variable) cost of Power purchase from the power procurement sources approved by the Commission in Tariff Order and fuel (variable) cost of power purchase from the other sources of power purchase in replacement of source approved in Tariff Order in (n-2)th quarter in Rs Crore;

A_{n-1} is the adjustment for over / under recovery during the (n-1)th quarter in Rs Crore;

And where,

$$\mathbf{C_{n-2} = AFC, APP + AFC, PP}$$

Where,

AFC, APP is the Change in Fuel (variable) Cost of Power Purchase from the approved sources by the Commission, to be computed based on the directives and norms approved by the Commission including heat rate, auxiliary consumption, etc. in Rs Crore;

AFC, PP is the Change in Variable Cost of Power Purchase from other sources in replacement of sources approved in Tariff Order which would be allowed to the extent it satisfies the criteria prescribed in these Regulations and the prevailing Tariff Order, and subject to applicable norms in Rs Crore;

And where,

$\mathbf{A_{n-1} = IC_{n-1} - R_{n-1}}$

Where,

IC_{n-1} is the incremental cost for the (n-1)th quarter in Rs Crore;

R_{n-1} is the actual recovery in the (n-1)th quarter in Rs Crore;

Average IC_n (Rs/kWh) = {IC_n/[(Metered Sales + Unmetered Sales + Excess Distribution Losses) × 10]};

Where,

Average IC_n (Rs / kWh) is the Incremental Charge per unit for the nth quarter;

Category wise IC_n (Rs / kWh) shall be calculated as per the following formula:

Average Billing Rate (ABR) of Consumer Category (in Rs / kWh) as approved in Tariff Order for the year / ABR of Distribution Licensee (in Rs / kWh) as approved in Tariff Order for the year x Average **IC_n** (in Rs / kWh).

The **IC_n** for any category shall not exceed 10% of the base energy charge for respective category, or such other ceiling as may be stipulated by the Commission from time to time.

Provided that any excess in the **IC_n** over the above ceiling shall be carried forward by the Distribution Licensee and shall be recovered over such future period as may be directed by the Commission.

PART D: FINANCIAL PRINCIPLES

18 Financial Prudence

18.1 The Licensee or SLDC shall manage its finances in an optimum and prudent manner.

18.2 In determining the ARR and Tariff of the Licensee or SLDC, the Commission shall assess the financial prudence exercised with regard to the following factors:

(a) Revenue (including deemed revenue, if any);

(b) Revenue expenditure;

(c) Capital expenditure:

Provided that the Commission may disallow a part of the ARR, as an efficiency measure, if it finds the exercise of such prudence to have been deficient.

18.3 The financial prudence with respect to revenue shall be assessed in terms of the following parameters:

(a) Whether category-wise sales projections are based on realistic estimates, and adequate justification has been provided for any anomalous increase in sales projected by the Distribution Licensee;

(b) Billing efficiency measured as a percentage of the units billed by the Licensee to the total units injected into the transmission or distribution system, as the case may be;

(c) Collection efficiency measured as a percentage of the amount collected by the Licensee to the total amount billed;

(d) Reduction in arrears receivable from beneficiaries / consumers;

(e) Percentage of metered consumers and metered consumption out of the total, in the case of Distribution Licensee;

(f) Percentage of bills raised on the basis of assessed consumption out of the total number of bills raised by the Distribution Licensee;

(g) Whether revenue collected is in line with the projections made in the Petition and approved by the Commission.

18.4 The financial prudence with respect to revenue expenditure shall be assessed in terms of the following parameters:

(a) Monitoring of the revenue expenditure as against the revenue earned, such that the expenses and payment obligations of the Licensee to other entities are met in a timely manner;

(b) Mechanism put in place for monitoring adherence to the approved revenue expenditure, including schedule of interest payments for long-term loans and Working Capital;

(c) Transparent method of power procurement, with the objective of optimising the power purchase expenses, as specified in these Regulations.

(d) Optimum purchase of power considering factors such as requirement of power, Merit Order Despatch, potential for earning additional net revenue based on the differential between the rate for purchase of power from different sources and the market rate for sale of surplus power, if any:

Provided that, in case the excess of revenue expenditure over the revenue earned exceeds 5%, the Licensee shall submit detailed justification for the mismatch along with its Petition for True- Up, including a comparison of the revenue expenditure and revenue estimated in the Petition with the amounts approved by the Commission and with the actual amount of revenue expenditure and revenue, under key heads;

Provided further that the Licensee shall submit a detailed cash flow statement for the respective Business showing the various sources of revenue, the actual amount of cash collected against the amount billed to different consumer categories for sale of electricity, the comparison of the actual revenue expenditure and capital expenditure with the projected and approved revenue expenditure and capital expenditure;

Provided also that, in case its payment obligations to other entities are not regularly met, the Licensee shall provide justification for such shortfall with reference to its cash flow statement.

18.5 The financial prudence with respect to capital expenditure shall be assessed in terms of the following parameters:

(a) Mechanism put in place for monitoring the physical progress of projects with respect to their original schedule;

(b) Optimum drawal of loans in accordance with the physical progress of the capital expenditure schemes, and efficient utilisation of such loans;

(c) In case the actual capital expenditure and capitalisation exceeds 10% of that approved by the Commission, the Licensee shall submit detailed justification for such excess along with its Petition for True- Up;

(d) In case any scheme has not been commenced during the year despite the Commission's approval, detailed justification shall be submitted along with the Petition for True- Up.

19 Capital Cost and Capital Structure

19.1 Capital cost for a capital investment Project shall include:

(a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, as admitted by the Commission after prudence check;

(b) capitalised initial spares subject to the ceiling rates specified in these Regulations;

(c) expenses incurred by the Licensee on obtaining right of way, as admitted by the Commission after prudence check;

(d) additional capital expenditure determined under Regulation 20;

(e) any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation, as admitted by the Commission after prudence check:

Provided that any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation shall be adjusted only against the debt component of the capital cost;

Provided further that the capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost;

Provided also that the Transmission Licensee shall submit documentary evidence in support of its claim of assets being put to use;

19.2 The capital cost admitted by the Commission after prudence check shall form the basis for determination of Tariff;

Provided that where the Commission has given 'In- Principle' acceptance to the estimates of project capital cost and financing plan, the same shall be the guiding factor for applying prudence check on the actual capital expenditure.

19.3 The actual capital expenditure on a scheme as on COD for the original scope of work based on audited accounts of the Licensee or SLDC or Project, as the case may be, shall be considered subject to prudence check by the Commission.

19.4 Capital cost to be allowed by the Commission for the purpose of determination of Tariff will be based on the capital investment plan prepared by the Licensee and approved by the Commission, prior to the Petition for determination of ARR / Tariff filing.

19.5 Where the power purchase agreement or bulk power transmission agreement provides for a ceiling on capital cost, the capital cost to be considered shall not exceed such ceiling.

19.6 The capital cost may include initial spares capitalised as a percentage of the Plant and Machinery cost up to the cut-off date, subject to the following ceiling norms:

(a) Transmission System and Distribution System

(i) Transmission Line & Distribution Line:	1.0%
(ii) Transmission sub-Station & Distribution Sub-Station:	4.0%
(iii) Series compensation devices and HVDC Sub-Station:	4.0%
(iv) Gas Insulated Sub-Station (GIS):	5.0%
(v) Communication System:	3.5%
(vi) Static Synchronous Compensator:	6.0%

19.7 The impact of revaluation of assets shall be permitted provided it does not result in increase in Tariff of the Licensee:

Provided that any benefit from such revaluation shall be passed on to long-term Intra-State Open Access consumers of the Transmission Licensee or Distribution Licensee or retail supply consumers of Distribution Licensees, at the time of MYT ARR / Tariff determination or Truing- Up for the Control Period, as the case may be.

19.8 Any expenditure on replacement, Renovation and Modernisation or extension of life of old fixed assets, as applicable to Licensees, shall be considered after writing off the net value of such replaced assets from the original capital cost, and shall be computed as follows:

Net Value of Replaced Assets = OCRA – AD;

Where;

OCRA: Original Capital Cost of Replaced Assets;

AD: Accumulated depreciation pertaining to the Replaced Assets

Provided that in case the original capital cost of the replaced asset is not available for any reason, it shall be considered by the Commission on a case to case basis;

Provided further that the amount of insurance proceeds received, if any, towards damage to any asset requiring its replacement shall be first adjusted towards outstanding actual or normative loan; and the balance amount, if any, shall be utilised to reduce the capital cost of such replaced asset, and any further balance amount shall be considered as Non-Tariff Income.

20 Additional Capitalisation

20.1 The capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date, may be admitted by the Commission subject to prudence check:

(i) Undischarged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 19;

(iv) Liabilities to meet award of arbitration or for compliance of the Order or decree of a court of law; and

(v) Change in law or compliance of any existing law

Provided that the details of works included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of final Tariff after the date of commercial operation of Transmission System.

20.2 The capital expenditure, in respect of the Transmission System including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

(i) Liabilities to meet award of arbitration or for compliance of the Order or decree of a court of law;

(ii) Change in law or compliance of any existing law;

(iii) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments, etc.;

(iv) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(v) Any additional capital expenditure which has become necessary for efficient operation

Provided that the claim shall be substantiated with the technical justification duly supported by documentary evidence like test results carried out by an independent agency in case of deterioration of assets, damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(vi) In case of Transmission System, any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, batteries, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, which has become necessary for successful and efficient operation of Transmission System; and

(vii) Any capital expenditure found justified after prudence check necessitated on account of modifications required.

Provided that any expenditure, which has been claimed under Renovation and Modernisation or repairs and maintenance under O&M expenses, shall not be claimed under Additional Capitalisation.

20.3 Impact of additional capitalisation on Tariff, if any, shall be considered during Tariff determination proceedings.

21 Debt-Equity Ratio

21.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 19, after prudence check for determination of Tariff;

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Licensee or SLDC for determination of Tariff;

Provided further that the Licensee or SLDC shall submit documentary evidence for the actual deployment of equity and explain the source of funds for the equity;

Provided also that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of Tariff;

Provided also that the equity invested in foreign currency shall be designated on the date of each investment.

Explanation.- The premium, if any, raised by the Licensee while issuing share capital and investment of internal resources created out of its free reserves, for the funding of the Scheme, shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure of the Transmission System or the Distribution System, and are within the ceiling of 30% of capital cost approved by the Commission.

21.2 In case of the Licensee, for the fixed assets capitalised on account of Capital Expenditure Scheme prior to April 1, 2020, the debt-equity ratio allowed by the Commission for determination of ARR / Tariff for the period ending March 31, 2020 shall be considered;

Provided that in case of retirement or replacement or de-capitalisation of the assets, the equity capital approved as mentioned above, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of such assets;

Provided further that in case of retirement or replacement or de-capitalisation of the assets, the debt capital approved as mentioned above, shall be reduced to the extent of outstanding debt component based on documentary evidence, or the normative loan component, as the case may be, of the original cost of such assets.

21.3 Any expenditure incurred or projected to be incurred on or after April 1, 2020, as may be admitted by the Commission as additional capital expenditure for determination of Tariff, and renovation and modernisation expenditure for life extension, shall be serviced in the manner specified in these Regulations.

22 Depreciation

22.1 The Licensee or SLDC, shall be permitted to recover Depreciation on the value of fixed assets used in their respective businesses, computed in the following manner:

(a) The approved original cost of the fixed assets shall be the value base for calculation of Depreciation:

Provided that the Depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or de-capitalised assets.

(b) Depreciation shall be computed annually based on the Straight- Line Method at the rates specified in the **Annexure- A** to these Regulations.

(c) The salvage value of the asset shall be considered at 10% of the allowable capital cost and Depreciation shall be allowed up to a maximum of 90% of the allowable capital cost of the asset.

Provided that land owned shall not be treated as a Depreciable asset and shall be excluded while computing Depreciation.

Provided that Depreciation shall be chargeable from the first year of commercial operation.

(d) Depreciation shall not be allowed on assets funded by Consumer Contributions or Subsidies / Grants / Deposit works.

22.2 In case of existing assets, the balance depreciable value as on April 01, 2020, shall be worked out by deducting the cumulative Depreciation as admitted by the Commission up to March 31, 2020, from the gross depreciable value of the assets:

22.3 In case of projected commercial operation of the assets for part of the year, depreciation shall be computed based on the average of opening and closing value of assets.

22.4 Depreciation shall be re-computed for assets capitalised at the time of Truing- Up, based on Audited Accounts and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.

23 Return on Equity

23.1 Return on equity may be allowed for the assets put to use at the rate of 14.5% post-tax per annum for the Transmission Licensee and SLDC and at the rate of 15% post-tax per annum for Distribution Licensee on the equity capital determined in accordance with Regulation 21.

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Base. Actual Equity infused in the Distribution Licensee as per book value shall be considered and shall be used for computation in these Regulations.

24 Interest on loan

24.1 The loans arrived at in the manner indicated in Regulation 21 on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

24.2 The normative loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan.

24.3 The repayment during each year of the Control Period from FY 2020-21 to FY 2024-25 shall be deemed to be equal to the Depreciation allowed for that year.

24.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the Scheme and shall be equal to the annual Depreciation allowed.

24.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual loan portfolio at the beginning of each year;

Provided that at the time of Truing- Up, the weighted average rate of interest of the actual loan portfolio during the concerned year shall be considered as the rate of interest;

Provided further that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for actual loan shall be considered;

Provided also that if the Licensee or SLDC, as the case may be, does not have actual loan even in the past, the weighted average rate of interest of its other Businesses regulated by the Commission shall be considered;

Provided also that if the Licensee or SLDC, as the case may be, does not have actual loan, and its other Businesses regulated by the Commission also do not have actual loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered;

24.6 Provided also that if the entity as a whole does not have actual loan because of which interest rate is not available, then the rate of interest for the purpose of allowing the interest on the normative loan should be same as the interest rate for working capital for the concerned year.

24.7 The interest on loan shall be computed on the normative average loan of the year by applying the weighted average rate of interest;

Provided that at the time of Truing- Up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

24.8 The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution / Deposit works, Grants or Capital Subsidy.

24.9 The finance charges incurred for obtaining loans from financial institutions for any Financial Year shall be allowed by the Commission at the time of Truing- Up, subject to prudence check.

24.10 The excess interest during construction on account of time and / or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission;

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost;

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

25 Foreign Exchange Rate Variation

25.1 The Licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired, in part or in full in the discretion of the Licensee.

25.2 As and when the Licensee enters into any hedging, the Licensee should communicate to the beneficiaries concerned about its hedging decision within thirty days of entering into such hedging transaction(s).

25.3 Every Licensee shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.

25.4 To the extent the Licensee is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the Licensee or its suppliers or contractors.

25.5 The Licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

26 Interest on Working Capital

26.1 **Transmission**

(a) The working capital requirement of the Transmission Licensee shall cover:

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares at one per cent of the opening Gross Fixed Assets (GFA) for the Year; and

(iii) One and a half month equivalent of the expected revenue from transmission charges at the prevailing Tariff;

minus

(iv) Amount held as security deposits in cash, if any, from Transmission System Users.

Provided further that for the purpose of Truing- Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points;

Provided that for the purpose of Truing- Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.

26.2 **Distribution Business**

(a) The working capital requirement of the Distribution Business shall cover:

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares at one per cent of the opening GFA for the Year; and

(iii) One and half month equivalent of the expected revenue (including deemed revenue, if any) from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty);

minus

(iv) Amount held as security deposits in cash from Distribution System Users:

Provided further that for the purpose of Truing- Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:

Provided that for the purpose of Truing- Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.

26.3 **SLDC**

(a) The working capital requirement of the SLDC shall cover:

(i) Operation and maintenance expenses for one month;

(ii) One and a half month equivalent of the expected revenue from levy of Annual Fixed Charges.

Provided further that for the purpose of Truing- Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest on normative basis and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points;

Provided that for the purpose of Truing- Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.

27 Carrying Cost

27.1 The Commission may allow Carrying Cost on the admissible amounts, with simple interest same as considered for working capital as stipulated in these Regulations.

28 Income Tax

28.1 Income Tax, if any, on the Licensed business of the Licensee shall be treated as expense and shall be recoverable from consumers through Tariff. However, tax on any income other than that through its Licensed business shall not be a pass through, and it shall be payable by the Licensee itself.

28.2 The Income Tax actually payable or paid shall be included in the ARR. The actual assessment of Income Tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

Provided, Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However, any tax liability on incentives due to improved performance shall not be considered.

29 Contribution to Contingency Reserves

29.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25% and not more than 0.5% of the original cost of fixed assets may be allowed annually towards such contribution in the calculation of ARR;

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed;

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year.

29.2 The Contingency Reserve shall not be drawn upon during the term of the Licence except to meet such charges as may be approved by the Commission as being:

(a) Expenses or loss of profits arising out of accidents, strikes or circumstances which the management could not have prevented;

(b) Expenses on replacement or removal of plant or works other than expenses requisite for normal maintenance or renewal;

(c) Compensation payable under any law for the time being in force and for which no other provision is made.

29.3 No diminution in the value of Contingency Reserve as mentioned above shall be allowed to be adjusted as a part of Tariff.

30 Rebate, Incentive, and Penalties

30.1 Rebates or incentives earned by the Licensee or SLDC shall be in accordance with the Transmission Service Agreement (TSA). All rebates or incentives earned by the Licensee or SLDC shall be considered under its Non-Tariff Income, while all rebates or incentives given by the Licensee or SLDC shall be allowed as an expense for the Licensee or SLDC.

30.2 Penalties paid, if any, by the Licensee shall not be allowed as an expense for the Licensee.

PART E: TRANSMISSION

31 Applicability

31.1 The Regulations contained in this Part shall apply to the determination of Tariff for access and use of the Intra- State Transmission System pursuant to a Bulk Power Transmission Agreement or other arrangement entered into with a Transmission System User:

Provided that in case a new Transmission System set up by a new Transmission Licensee is added to the existing system during the Control Period, the Commission shall determine the Tariff for the remaining years of the Control Period as stipulated in these Regulations.

31.2 The Commission shall be guided by the terms and conditions contained in this Part in specifying the rates, charges, terms and conditions for use of intervening transmission facilities pursuant to a Petition filed in this regard by a Transmission Licensee under the proviso to Section 36 (1) of the Act.

32 Components of Tariff

32.1 The transmission charges for access to and use of the Intra- State Transmission System shall comprise any of the following components or a combination of the following components:

(a) Transmission System access charges;
(b) Annual Transmission charges;
(c) Per unit charges for energy transmitted;
(d) Reactive energy charges.

Provided that in case of competitively awarded Transmission System projects in pursuance of Section 63 of the Act and in accordance with guidelines for competitive bidding for transmission, the annual transmission charges shall be as per the annual Transmission Service Charges (TSC) quoted by such competitively awarded transmission projects.

32.2 Any person who is eligible to apply for access to the Intra- State Transmission System shall be entitled to obtain such access in accordance with the Regulations and Orders of the Commission governing Transmission Open Access and shall be liable to pay the charges for obtaining such access as specified in these Regulations and Orders.

Explanation: For the purpose of these Regulations, such person who, being eligible for transmission open access, has applied for allocation of transmission capacity rights and has agreed to the carrying out of works for obtaining such access shall hereinafter be referred to as the “Intending Transmission System User”, and may include an existing Transmission System User in respect of any increase in allocated transmission capacity rights applied for by such existing user.

32.3 Where the access of the intending Transmission System User to the Intra-State Transmission System entails works of transmission lines or other transmission assets dedicated to such User, the Transmission Licensee shall be entitled to recover, through the Transmission System access charges, all expenses reasonably incurred on such works for providing access to such intending Transmission System User.

32.4 Where the access of the intending Transmission System User entails other works, not covered under Regulation 32.3 relating to the Intra-State Transmission System, the Transmission Licensee shall recover the expenses relating to such works through annual transmission charges for each year of the Control Period, in accordance with Regulation 32.10.

32.5 Where any works for obtaining access have been carried out by the intending Transmission System User, the Transmission Licensee shall be entitled to recover supervision charges at the rate of 15% of the cost of labour employed for carrying out such works and shall not be entitled to recover any other expenses with regard to such works:

Provided that such supervision charges shall form part of the Non-Tariff Income of the respective Transmission Licensee and shall also be treated as O&M expense incurred by the intending Transmission System users, which shall be capitalised in the respective year of asset capitalisation.

32.6 The works for providing access to the Intra-State Transmission System shall be maintained by the Transmission Licensee for the duration of the Bulk Power Transmission Agreement or after arrangement entered into between the Transmission Licensee and the Transmission System User.

32.7 Where the Transmission System User has paid for the works carried out to provide it access to the Intra-State Transmission System, the Transmission System User shall be entitled to the depreciated value (as per Companies Act 1956 and its Amendments) of such works paid for by it upon termination of the Bulk Power Transmission Agreement or after arrangement entered into;

Provided that where the Transmission System User has carried out the works to provide it access to the Intra-State Transmission System of the Transmission Licensee, the Transmission System User shall be entitled to retain such works upon termination of the Bulk Power Transmission Agreement or after arrangement entered into.

32.8 The Transmission System access charges may be recovered by any one of the following methods, in accordance with the terms of the Bulk Power Transmission Agreement or after arrangement entered into:

(a) As a one-time payment by the Transmission System User at the time of obtaining access; or

(b) As a series of payments over the duration of the Bulk Power Transmission Agreement or after arrangement entered into; or

(c) As any combination of (a) and (b) above.

32.9 Any dispute between the Transmission Licensee and the intending Transmission System User with regard to the works to be carried out to give access to the intending Transmission System User or with regard to the Transmission System access charges shall be referred to the Commission for adjudication or to such other forum as may be stipulated by the Commission.

32.10 The Annual Transmission Charges for each Year of the Control Period shall provide for the recovery of the ARR of the Transmission Licensee for each year of the Control Period, as approved by the Commission and comprising the following components:

(a) Operation and maintenance expenses;
(b) Depreciation;
(c) Interest on Loan Capital;
(d) Interest on Working Capital;
(e) Contribution to Contingency Reserves;
(f) Return on Equity;
(g) Income Tax;

minus:
(h) Income from Open Access consumers;
(i) Non-Tariff Income;
(j) Income from Other Business, to the extent specified in these Regulations:

Provided that Depreciation, Interest on Loan Capital, Interest on working capital and Deposits from Transmission System Users, Contribution to Contingency Reserves, Return on Equity, and Income Tax for Transmission Licensees shall be allowed in accordance with the provisions specified in **Part D** of these Regulations;

Provided further that the components of the ARR corresponding to the transmission lines owned by the Transmission Licensee and conveying electricity to other States, being recovered through the Point of Connection (PoC) transmission charges in accordance with the Regulations and Orders of the Central Electricity Regulatory Commission, shall not be recovered from the Annual Transmission Charges determined under these Regulations;

Provided also that in case any such components have already been recovered through the Intra-State transmission Tariff, then such excess recovery shall be deducted from the ARR of the Transmission Licensee for the future years, along with associated Carrying Cost, as applicable;

Provided also that prior period income/expenses shall be allowed by the Commission at the time of Truing- Up based on audited accounts, on a case to case basis, subject to prudence check;

Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission, Courts, etc., shall not be allowed to be recovered through the ARR;

Provided also that the Transmission Licensee shall maintain separate details of such penalties and compensation paid or payable by the Licensee, if any, and shall submit them to the Commission along with its Petition.

32.11 The Annual Transmission Charges of the Transmission Licensee shall be determined by the Commission on the basis of a Petition for determination of Tariff as stipulated in these Regulations or Petition for adoption of Annual Transmission Charges in case of competitively awarded Transmission System Project, as the case may be, filed by the Transmission Licensee in accordance with **Part B** of these Regulations.

33 Petition for determination of Provisional Tariff

33.1 A new Transmission Licensee shall file the Petition for determination of provisional Tariff, six months prior to the anticipated date of commercial operation of the transmission assets.

33.2 The new Transmission Licensee shall file a Petition for determination of provisional Tariff based on capital expenditure incurred and projected to be incurred up to the date of commercial operation and additional capital expenditure incurred, duly certified by the statutory auditors;

Provided that the Petition shall contain details of underlying assumptions for the projected capital cost and additional capital cost, wherever applicable.

33.3 The new Transmission Licensee may be allowed provisional Tariff by the Commission from the anticipated date of commercial operation, based on the projected capital expenditure, subject to prudence check.

33.4 If the date of commercial operation is likely to be delayed beyond six months from the date of issue of the Order approving the provisional Tariff, the Transmission Licensee may submit a Petition for seeking extension of the validity of the applicability of the provisional Tariff, giving details of the present status of completion and justification for the delay in project completion, which may be considered by the Commission after necessary prudence check.

33.5 The new Transmission Licensee shall file the Petition for determination of final Tariff within six months from the date of commercial operation, based on the audited capital expenditure and capitalisation as on the date of commercial operation.

33.6 The final Tariff determination for the new Transmission Licensee shall be done by the Commission based on prudence check of the audited capital expenditure and capitalisation as on the date of commercial operation.

33.7 Where the actual Capital Cost incurred on year to year basis is less than the Capital Cost approved for determination of provisional Tariff by the Commission, by five percent or more, the Transmission Licensee shall refund to the Beneficiaries, the excess Tariff realised corresponding to excess Capital Cost, with interest rate that should be same as the interest rate for Working Capital for the concerned year.

33.8 Where the actual Capital Cost incurred on year to year basis is more than the Capital Cost approved for determination of provisional Tariff by the Commission, by five percent or more, the Transmission Licensee shall, subject to the approval of the Commission, recover from the Beneficiaries the shortfall in Tariff corresponding to such decrease in Capital Cost with interest rate that should be same as the interest rate for Working Capital for the concerned year.

34 Capital Investment Plan

34.1 The Transmission Licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of the Intra-State Transmission System of the Transmission Licensee, meeting the requirement of load growth, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Multi- Year ARR for the entire Control Period.

34.2 The Capital Investment Plan shall be a least cost plan for undertaking investments. However, all capital expenditure projects of 220 kV and above of value exceeding Rs. Twenty Crore or such other amount as may be stipulated by the Commission from time to time, must be got approved by the Commission.

34.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of bays, name, configuration and location of grid substations, substation capacity (MVA), transmission line length (circuit kilometres) showing the need for the proposed investments, alternatives considered, cost/benefit analysis, total cost of ownership and other aspects that may have a bearing on the transmission charges.

34.4 The Capital Investment Plan of the Transmission Licensee shall be consistent with the Transmission System plan for the Intra-State Transmission System developed by the State Transmission Utility;

Provided that any capital expenditure incurred by the Transmission Licensee based on the specific requirement of a Distribution Licensee shall be substantiated with necessary documentary evidence in the form of request for the same and undertaking given as appropriate.

34.5 The Commission shall consider the Capital Investment Plan which will be a part of Business Plan along with the Multi-year ARR for the entire Control Period submitted by the Transmission Licensee taking into consideration the prudence of the proposed expenditure and estimated impact on transmission charges.

34.6 The Transmission Licensee shall submit, along with the Petition for determination of ARR or along with the Petition for Annual Performance Review, as the case may be, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

35 Norms for operation

35.1 **Target availability**

35.1.1 Normative Annual Transmission System Availability factor (NATSAF) shall be as under:

1) AC System : 98%
2) HVDC bi-pole links and back-to-back Stations : 95%

35.1.2 Auxiliary Energy Consumption in the Sub-station:

(a) AC System

The charges for auxiliary energy consumption in the AC Sub-station for the purpose of air-conditioning, lightning and consumption in other equipment shall be borne by the Transmission Licensee and are included in the normative operation and maintenance expenses.

(b) HVDC Sub-station

For auxiliary energy consumption in HVDC Sub-stations, the central Government / State Government may allocate an appropriate share from one or more ISGS generating station. The charges for such power shall be borne by the Transmission Licensee and are included in the normative operation and maintenance expenses.

35.1.3 The transmission charge payable for a calendar month for a Transmission System or part thereof shall be:

ARR x (NDM/NDY) x (TAFM/NATSAF)

Where,

AFC = Annual fixed cost specified for the year;

NATSAF = Normative annual transmission availability factor, in per cent specified in these Regulations;

NDM = Number of days in the month;

NDY = Number of days in the Year; and

TAFM = Transmission System Availability Factor for the month, in per cent, computed in accordance with **Annexure- B** to these Regulations.

The Transmission Licensee shall raise the bill for the transmission charge for a month based on its estimate of TAFM. Adjustments, if any, shall be made on the basis of the TAFM to be certified by the SLDC within 30 days from the last day of the relevant month.

35.1.4 Allocation of Annual Transmission Service Charge:

The Annual Transmission Service Charge (ATSC) shall be divided between Beneficiaries of the Transmission System on monthly basis based on the Allotted Transmission Capacity or contracted capacity, as the case may be.

1) If a Transmission System has been created for a particular Long-term Transmission Beneficiary including dedicated transmission line(s) for a generating station, transmission charges for such Transmission System shall be payable by that Long-term Transmission Beneficiary.

2) For Intra-State Transmission System, the monthly transmission charges shall be pooled for sharing by Long-Term Transmission Customers in accordance with the following formula:

Transmission Charges for Intra-State System payable for a month by a Long - term Transmission Customer of that Transmission System =

$$\sum_{i=0}^{n}\left(\frac{TCi}{12}\right) \text{x} \frac{CL}{SCL}$$

Where,

TC_i = Annual Transmission Service Charges for the i^{th} project in the state computed in accordance with these Regulations;

n = Number of Projects in the State;

CL = Allotted Transmission Capacity to the Long-term Transmission Customer;

SCL = Sum of Allotted Transmission Capacities to all the Long-term Transmission Customers of the State Transmission System.

In the case of Medium-term users of the Intra-State Transmission System, charges payable shall be in proportion to the MW for which Medium-term usage has been approved by the State Transmission Utility for that month.

In case of Short-term Open access consumers, charges payable shall be calculated in accordance to following methodology:

ST_RATE = 0.25 x [ATSC / Av CAP] / 365

Where,

ST_RATE is the rate for short-term Open access consumers in Rs. Per MW per day;

ATSC is Annual Transmission Service Charge;

Av CAP means the average capacity in MW served by the Transmission System of the Transmission Licensee in the last Financial Year and shall be the sum of the generating capacities connected to the Transmission System and contracted capacities of other transactions handled by the system of the Transmission Licensee;

Transmission charges corresponding to any plant capacity for which a Beneficiary has not been identified and contracted shall be paid by the concerned generating Company.

36 Operation and Maintenance Expenses

a) The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee Cost, Repair and Maintenance (R&M)

expense and Administrative and General expense (A&G) expense. Provided that such norms may be specified for a specific Transmission Licensee or a class of Transmission Licensees.

b) Norms shall be defined in terms of combination of number of personnel per ckt / km (for different categories of transmission lines for e.g. HVDC 765 kV, 400 kV, > 66 kV & 400 kV etc. lines) and number of personnel per bay (for different categories of bay for e.g. 765 kV, 400 kV, > 66 kV & 400 kV, etc bays) along with annual expenses per personnel and A&G expense per ckt / km and bay for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses.

c) As far as possible, one-time expenses such as expense due to change in accounting policy, arrears paid due to Pay Commissions etc., shall be excluded from norms in the trajectory.

d) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay Commissions etc., shall be excluded from the norms in the trajectory.

e) The expenses beyond the control of the Transmission Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.

f) The One-time expenses and the expenses beyond the control of the Transmission Licensee may be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

g) The norms in the trajectory shall be specified over the Control Period.

h) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above baseline.

i) Trajectory of norms specific to the Transmission Licensee shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation.

j) For new Transmission Licensee whose date of commercial operation is within the Tariff period (i.e. April 01, 2015 to March 31, 2020), detailed project report shall be used by the Commission to estimate values of norms.

36.1 **Employee Cost**

Employee cost shall be computed as per the approved norm escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery / adjustment of terminal benefits, implications of pay Commission, arrears, Interim Relief etc., governed by the following formula:

$EMP_n = (EMP_b \times \text{CPI inflation})$

Where:

EMP_n: Employee expense for the year n.

EMP_b: Employee expense as per the norm CPI inflation, is average increase in the Consumer Price Index (CPI) for immediately preceding three Financial Years.

36.2 **Repairs and Maintenance Expense**

Repair and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by the following formula:

$R\&M_n = K_b \times GFA_n$

Where:

$R\&M_n$: Repairs & Maintenance expense for n^{th} year.

GFA_n: Average Gross Fixed Assets for n^{th} year

K_b: Percentage point as per the norm.

36.3 **Administrative and General Expenses**

A&G expense shall be computed as per the norm escalated by the Wholesale Price Index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses, and shall be governed by the following formula:

$A\&G_n = (A\&G_b \times \text{WPI inflation})$

Where:

$A\&G_n$: A&G expense for the year n.

$A\&G_b$: A&G expense as per the norm.

WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three Financial Years.

37 Non-Tariff Income

37.1 The amount of Non-Tariff income relating to the Transmission Business as approved by the Commission shall be deducted from the ARR in determining the Annual Transmission Charges of the Transmission Licensee:

Provided that the Transmission Licensee shall submit full details of its forecast of non-Tariff income to the Commission in such form as may be stipulated by the Commission.

37.2 The Non-Tariff Income shall include:

a) Income from rent of land or buildings;
b) Income from sale of scrap;

c) Income from investments;
d) Interest income on advances to suppliers/contractors;
e) Interest income on loans / advances to employees;
f) Income from rental from staff quarters;
g) Income from rental from contractors;
h) Income from hire charges from contactors and others;
i) Supervision charges for capital works;
j) Income from advertisements;
k) Income from sale of tender documents;
l) Any other Non-Tariff Income.

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Transmission Licensee shall not be included in Non-Tariff Income.

38 Income from Other Business

Where the Transmission Licensee has engaged in any Other Business under Section 41 of the Act for optimum utilisation of its assets, an amount equal to two-thirds of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the ARR in calculating the Annual Transmission Charges of the Transmission Licensee;

Provided that the Transmission Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Transmission Business and the Other Business and shall submit the Allocation Statement, duly certified by the Statutory Auditor, to the Commission along with its Petition for determination of ARR;

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the ARR of the Transmission Licensee on account of such Other Business.

39 Transmission Pricing Framework

The Commission may, after conducting a detailed study and due regulatory process, change the existing transmission pricing framework to one considering factors such as voltage, distance, direction and quantum of flow based etc. on the methodology specified by the Central Electricity Regulatory Commission, as the Commission may deem appropriate.

40 Transmission Losses

The energy losses in the Intra-State Transmission System, as determined by the State Load Despatch Centre and approved by the Commission, shall be borne by the Transmission System Users in proportion to their usage of the Intra-State Transmission System.

PART F: DISTRIBUTION

41 Separation of Accounts of Distribution Licensee

41.1 Every Distribution Licensee shall maintain separate accounting records for the Distribution Wires Business and Retail Supply Business and shall prepare an Allocation Statement to enable the Commission to determine the Tariff separately for:

(a) Distribution Wires Business;

(b) Retail Supply Business:

Provided that in case complete accounting segregation has not been done between the Distribution Wires Business and Retail Supply Business of the Distribution Licensee, the ARR of the Distribution Licensee shall be apportioned between the Distribution Wires Business and Retail Supply Business in accordance with an Allocation Matrix to be prepared by the Licensee and submitted to the Commission`s requirement and approval;

Provided further that the Allocation Matrix shall be applied for all or any of the heads of expenditure and revenue, where actual accounting separation has not been done between the Distribution Wires Business and Retail Supply Business;

Provided also that the Commission may require the Distribution Licensee to file separate Petitions for determination of Tariff for the Distribution Wires Business and Retail Supply Business.

42 Applicability

42.1 The Regulations contained in this Part shall apply to the determination of Wheeling Charges payable for usage of distribution wires of a Distribution Licensee by a Distribution System User and determination of Tariff for retail supply of electricity by a Distribution Licensee to its consumers.

43 Components of ARR for Distribution Licensee

43.1 The Wheeling Charges and Tariff for retail supply of the Distribution Licensee shall provide for the recovery of the ARR of the Distribution Business for the respective Years of the Control Period, as approved by the Commission and comprising the following components:

(a) Power Purchase expenses;

(b) Inter-State Transmission Charges;

(c) Intra-State Transmission Charges;

(d) SLDC Fees & Charges;

(e) Operation and Maintenance expenses;

(f) Depreciation;

(g) Interest on Loan capital;

(h) Interest on working capital;

(i) Interest on deposits from consumers and Distribution System Users;

(j) Provision for Bad and doubtful debts;

(k) Contribution to Contingency Reserves;

(l) Return on Equity;

(m) Income Tax.

minus:

(n) Non-Tariff income;

(o) Income from Other Business, to the extent specified in these Regulations;

Provided that Depreciation, Interest on Loan Capital, Interest on Working Capital, Interest on deposits from consumers and Distribution System Users, Contribution to Contingency Reserves, Return on Equity, and Income Tax for Distribution Business shall be allowed in accordance with the provisions specified in **Part D** of these Regulations;

Provided further that prior period income / expenses shall be allowed by the Commission at the time of Truing- Up based on audited accounts, on a case to case basis, subject to prudence check;

Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission, Courts, Consumer Grievance Redressal Forum, and Ombudsman, etc., shall not be allowed to be recovered through the ARR;

Provided also that the Distribution Licensee shall maintain separate details of such penalties and compensation paid or payable by the Licensee, if any, and shall submit them to the Commission along with its Petition.

43.2 The Wheeling Charges and Tariff for retail supply of the Distribution Licensee shall be determined by the Commission on the basis of a Petition for determination of Tariff filed by the Distribution Licensee for each Financial Year in accordance with **Part B** of these Regulations;

Provided further that the Tariff for retail supply may comprise any combination of fixed / demand charges, energy charges, and any other charges / incentives, for the purpose of recovery from the consumers, as may be stipulated by the Commission;

Provided also that the Commission may determine the area-wise Tariff for Distribution Licensee based on the performance parameters as may be stipulated by the Commission;

Provided further that in case of a Deemed Distribution Licensee whose Tariff is yet to be determined by the Commission till the date of coming into of these Regulations, the Commission may determine the ceiling Tariff for retail supply and ceiling Wheeling Charges that may be charged by such Deemed Distribution Licensee till such time as considered appropriate by the Commission.

44 Sales forecast

44.1 The Distribution Licensee shall submit a month-wise forecast of the expected sales of electricity to each Tariff category / Sub-category and to each Tariff slab within such Tariff category / Sub-category to the Commission for approval along with the Multi-Year Tariff Petition, as specified in these Regulations;

Provided that sales forecast shall be based on past trends in each of the slabs of consumer categories. The compounded annual growth rate (CAGR) of past seven years of sales within each of the slabs of a consumer category as per audited books of account, if not available then provisional accounts, will be considered;

Provided further that the Distribution Licensee shall submit relevant details regarding category-wise sales separately for each Distribution Franchisee area within its Licence area, as well as the aggregated category-wise sales in its Licence area.

44.2 The sales forecast shall be consistent with the load forecast prepared as part of the power procurement plan under **Part C** of these Regulations and shall be based on past data and reasonable assumptions regarding the future;

Provided that where the Commission has stipulated a methodology for forecasting sales to any particular Tariff category, the Distribution Licensee shall incorporate such methodology in developing the sales forecast for such Tariff category.

45 Distribution Loss

45.1 The power purchase requirement of the Distribution Licensee at the Transmission-Distribution interface point, shall be computed by grossing up the sales with the distribution losses approved by the Commission.

Provided that the Distribution Licensee while computing the overall Distribution loss shall also take into account the loss for each Distribution Franchisee area within its Licence area.

45.2 Distribution loss trajectory for each Distribution Licensee will be as follows:

Control Period	DVVNL	MVVNL	PVVNL	PuVVNL	KeSCO	NPCL
FY 2020-25	15%	15%	15%	15%	15%	8%

46 Capital Investment Plan

46.1 The Distribution Licensee shall submit a detailed Capital Investment Plan, financing plan and physical targets for each year of the Control Period for meeting the requirement of growth in number of consumers, strengthening and augmentation of its distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Business Plan and ARR / Tariff Petition for the entire Control Period.

46.2 The Capital Investment Plan shall be a least cost plan for undertaking investments. However, all capital expenditure projects of value exceeding Rs. Ten crore or such other amount as may be stipulated by the Commission from time to time, must get approved by the Commission.

46.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of distribution sub-stations, consumer sub-stations, transformation capacity in MVA and details of distribution transformers of different capacities, HT:LT ratio as well as distribution line length showing the need for the proposed investments, alternatives considered, cost / benefit analysis and other aspects that may have a bearing on the Tariff for retail supply of electricity and the Wheeling Charges:

Provided that the Distribution Licensee shall submit separate details of Capital Investment Plan for each Distribution Franchisee area within its Licence area.

47 Operation and Maintenance Expenses

47.1 The Operation and Maintenance expenses for the Distribution Business shall be computed as stipulated in with these Regulations.

47.2 The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee cost, Repairs and maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Provided that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.

47.3 Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee cost; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:

47.4 One-time expenses such as expense due to change in accounting policy, arrears paid due to pay Commissions etc., shall be excluded from the norms in the trajectory.

47.5 The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.

47.6 The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

47.7 The norms in the trajectory shall be specified over the Control Period.

47.8 The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.

47.9 The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation.

47.10 In case of a Deemed Distribution Licensee whose Tariff is yet to be determined by the Commission till the date of coming into effect of these Regulations, the Commission may determine the O&M expenses on case to case basis.

47.11 **Employee Cost**

Employee cost shall be computed as per the approved norm escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery / adjustment of terminal benefits, implications of pay Commission, arrears, Interim Relief etc., governed by the following formula:

EMP_n= (EMP_b × CPI inflation)

Where:

EMP_n: Employee expense for the year n.

EMP_b: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three Financial Years.

47.12 **Repairs and Maintenance Expense**

Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:

$R\&M_n = K_b \times GFA_n$

Where:

$R\&M_n$: Repairs & Maintenance expense for nth year

GFA_n: Average Gross Fixed Assets for nth year

K_b: Percentage point as per the norm.

47.13 **Administrative and General Expense**

A&G expense shall be computed as per the norm escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Distribution Licensee and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula:

$A\&G_n = (A\&G_b \times \text{WPI inflation})$

Where:

$A\&G_n$: A&G expense for the year n

$A\&G_b$: A&G expense as per the norm

WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three Financial Years.

48 Provision for Bad and Doubtful Debts

48.1 For any Year, the Commission may allow a provision for bad and doubtful debts up to 1.5% of the amount shown as Receivables from sale of electricity in the audited accounts of the Distribution Licensee for that Year;

Provided further that such provision allowed by the Commission for any Year shall not exceed the actual provision for bad and doubtful debts made by the Distribution Licensee in the audited accounts of that Year.

Provided that the Commission, in its MYT ARR / Tariff Order, may provisionally approve provision for bad and doubtful debts for each Year of the Control Period, based on the actual provision for bad and doubtful debts made by the Distribution Licensee in the latest Audited Accounts available for the Petitioner, and as allowed by the Commission;

49 Non-Tariff Income

49.1 The amount of Non-Tariff Income relating to the Distribution Business as approved by the Commission shall be deducted from the ARR in determining the Tariff for retail supply and Wheeling Charges of the Distribution Business:

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission.

49.2 The Non-Tariff Income shall include:

a) Income from rent of land or buildings;
b) Income from sale of scrap;
c) Income from investments;
d) Interest income on advances to suppliers/contractors;
e) Interest income on loans / advances to employees;
f) Income from rental from staff quarters;
g) Income from rental from contractors;
h) Income from hire charges from contactors and others;
i) Income from delayed payment surcharge, supervision charges etc.;
j) Supervision charges for capital works;
k) Income from recovery against theft and/or pilferage of electricity;
l) Income from advertisements;
m) Income from sale of tender documents;
n) Any other Non-Tariff Income.

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Distribution Business shall not be included in Non-Tariff Income.

50 Income from Other Business

50.1 Where the Distribution Licensee has engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, the income from such business will be deducted from the ARR in calculating the revenue requirement of the Licensee in the manner and in proposition as may be specified by the Commission. The proportion of revenue from Other Business that shall be utilized in the Distribution business shall be as stipulated in UPERC (Treatment of Income of Other Business of Transmission Licensees and Distribution Licensees) Regulations, 2004 or any subsequent amendment thereof;

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement, duly certified by the Statutory

Auditor of the Company, to the Commission along with its Petition for determination of Tariff for retail supply and Wheeling Charges;

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the ARR of the Distribution Business on account of such Other Business.

51 Cross-Subsidy Surcharge

51.1 The Cross Subsidy Surcharge payable by consumers opting for open access on the network of the Distribution Licensee will be determined by the Commission as per the provisions of latest applicable Tariff Policy.

52 Additional Surcharge

52.1 The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a Licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract.

53 Wheeling Losses

53.1 The Distribution Licensee shall be allowed to recover, in kind the Wheeling Losses arising from the operation of the Distribution System by any Open Access consumer:

54 Regulatory Assets

54.1 Regulatory Assets shall not be created against cost / loss incurred in normal course of business. Provided that in such a case, financing arrangement or capital restructuring shall be deployed to cover the gap.

54.2 Provided that as and when created, the Regulatory Assets shall be amortised in seven years, as far as possible.

54.3 The yearly carrying cost of the Regulatory Assets should be same as the interest rate for the Working Capital for the concerned year. However, in case there is surplus in any year, then the Licensee will pay interest on the said surplus at the interest rate provided for working capital.

54.4 The Licensee shall submit the data for Regulatory Surcharge collected Category / Sub-category wise, otherwise, the carrying cost on Regulatory Assets for that year will be disallowed.

54.5 If the Distribution Licensee does not submit the Petition for Truing- Up of accounts within a period of two years, and if there is a Gap in the said True- Up year, then the gap will be disallowed. However, in case there is surplus in the said True- Up year, then the Licensee will pay interest on the said surplus at the interest rate provided for Working Capital.

55 Determination of Retail Supply Tariff

55.1 The Commission may categorize consumers on the basis of their Load Factor, Power Factor, Voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.

55.2 The retail supply Tariff for different consumer categories shall be determined on the basis of the Average Cost of Supply. While determining the Tariff, the Commission shall also keep in view the cost of supply at different voltage levels and the need to minimise Tariff shock to consumers.

PART G: FEES AND CHARGES FOR SLDC

56 Applicability

56.1 The Regulations contained in this Part shall apply in determining the Fees and Charges to be levied by the SLDC after April 1, 2020.

57 Principles for determination of ARR

57.1 The Transmission Licensee shall segregate its business into Transmission Business and SLDC activity. The Transmission Business revenue requirement would be used for determining non-discriminatory transmission charge.

57.2 Till such time there is a complete segregation of accounts between Transmission Business and SLDC activity, the ARR for each business shall be supported by an Allocation Statement duly approved by the Board of Directors or by any Committee / person authorized by the Board in this regard, of the Transmission Licensee containing the apportionment of all costs, revenues, assets, liabilities, reserves, and provisions between the Transmission Business, SLDC activity and any other Business of the Transmission Licensee. The Allocation Statement shall also contain the methodology used for the apportionment between different businesses.

58 Capital Investment Plan

58.1 The SLDC shall submit a detailed Capital Investment Plan, Financing Plan and Physical targets for each year of the Control Period based on the operational requirements prescribed by the Commission and recommendations of various Committees constituted for looking into matters related to strengthening and ring fencing of the State Load Despatch Centres by the Ministry of Power, Government of India or any such other statutory authorities, to the Commission for approval, as a part of the Business Plan along with the Multi- Year ARR / Tariff for the entire Control Period.

58.2 The Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value as may be stipulated by the Commission.

58.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost benefit analysis, total cost of ownership and other aspects that may have a bearing on the SLDC Fees and Charges.

58.4 The Commission shall consider the Capital Investment Plan along with the Multi- Year ARR for the entire Control Period submitted by the SLDC taking into consideration the prudence of the proposed expenditure and estimated impact on SLDC Fees and Charges.

58.5 The SLDC shall submit, along with the Petition for determination of ARR or along with the Petition for Annual Performance Review, as the case may be, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

59 SLDC Development Fund

59.1 The Commission may permit SLDC to create and maintain a separate development fund for such purposes and from such sources of income, as the Commission may consider appropriate, on a Petition filed by SLDC.

60 Annual Fixed Charges for SLDC

60.1 The Annual Fixed Charges to be levied by the SLDC shall provide for the recovery of the ARR of the SLDC for the respective Year of the Control Period, as approved by the Commission and will comprise the following:

(a) Operation and Maintenance expenses;
(b) Regional Load Despatch Centre (RLDC) Fees and Northern Region Power Committee (NRPC) Charges;
(c) Depreciation;
(d) Interest on Loan Capital;
(e) Interest on working capital
(f) Return on Equity Capital;
(g) Reactive Energy Charges paid to Generators / TSUs;
(h) Income Tax;
minus:
(i) Income from Open Access consumers;
(j) Income from Reactive Energy Charges recovered from Generators / TSUs;
(k) Non-Tariff income.

Provided that Depreciation, Interest on Loan, and Return on Equity for the SLDC shall be allowed in accordance with the provisions specified in **Part D** of these Regulations;

Provided further that prior period income / expenses shall be allowed by the Commission at the time of Truing- Up based on audited accounts, on a case to case basis, subject to prudence check;

Provided also that all penalties and compensation payable by the SLDC to any party for failure to meet its obligations or for damages, as a consequence of the Orders of the Commission and Courts shall not be allowed to be recovered through the ARR;

Provided also that the SLDC shall maintain separate details of such penalties and compensation paid or payable by the SLDC, if any, and shall submit the same to the Commission along with the Petitions to be submitted under these Regulations.

61 Operation and Maintenance Expenses

61.1 The Operation and Maintenance expenses for the SLDC shall be computed in accordance with these Regulations.

61.2 The Operation and Maintenance expenses shall be derived on the basis of the last actual audited Operation and Maintenance expenses excluding abnormal expenses, if any, subject to prudence check by the Commission, and the same will be grossed up by the inflation factor upto the Base Year Operation and Maintenance expenses.

61.3 The Operation and Maintenance expenses for each subsequent year shall be determined by escalating these Base Year expenses by an inflation factor with 20% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five years as per the Office of the Economic Advisor, Government of India and 80% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) for the past five years as per the Labour Bureau, Government of India, as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, to arrive at the permissible Operation and Maintenance expenses for each year of the Control Period:

Provided that, in the Truing- Up of the Operation and Maintenance expenses for any particular year of the Control Period, an inflation factor with 20% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the past five years (including the year of Truing- Up) and 80% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five years (including the year of Truing- Up), as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, shall be applied to arrive at the permissible Operation and Maintenance Expenses for that year.

62 Fees payable by SLDC

62.1 The Fees and Charges payable by the SLDC in accordance with the relevant Orders issued by the Central Electricity Regulatory Commission from time to time shall be allowed to be recovered by the SLDC through the Fees and Charges as approved by the Commission.

62.2 The SLDC shall have to produce documentary proof towards payment of such Charges at the time of Annual Performance Review or Truing- Up:

Provided that any variation between the approved Fees and Charges that were actually paid by the SLDC shall be considered during the True- Up as per audited accounts, subject to prudence check and any other factor considered appropriate by the Commission.

63 Non-Tariff Income

63.1 The amount of Non-Tariff Income relating to the SLDC as approved by the Commission shall be deducted from the ARR in determining the Fees and Charges of the SLDC:

Provided that the SLDC shall submit full details of its forecast of Non-Tariff Income to the Commission in such form as may be stipulated by the Commission.

63.2 The Non-Tariff Income shall include:

a) Income from sale of scrap;

b) Income from investments;

c) Interest income on advances to suppliers / contractors;

d) Interest income on loans / advance to employees;

e) Income from rental from staff quarters;

f) Income from sale of tender documents;

g) Any other Non-Tariff Income.

Provided that the interest earned from investments made out of Return on Equity of the SLDC shall not be included in Non-Tariff Income.

64 Sharing of SLDC Charges

64.1 The SLDC Charges payable by the Transmission System Users (TSUs) shall be computed in accordance with the following formula:

$$AFC(u)_{(t)} = AFC_{(t)} \text{ X } ([\text{Base TCR}(u)]_{(t)} / \sum_{i=1}^{n} [\text{Base TCR}(u)]_{(t)})$$

Where,

$AFC(u)_{(t)}$ = SLDC Charges to be shared by the Beneficiary (u) for the yearly period (t);

$AFC_{(t)}$ = Total SLDC Charges to be shared by the Beneficiaries for the yearly period (t);

Base TCR (u) = $[CPD(u)_{(t)} + NCPD(u)_{(t)}] / 2$

Where,

Base TCR represents the Base Transmission Capacity Right of each Beneficiary (u) for the yearly period (t);

$CPD(u)_{(t)}$ = Average Coincident Peak Demand of the Beneficiary (u) for the yearly period (t);

$NCPD(u)_{(t)}$ = Average Non-coincident Peak Demand of the Beneficiary (u) for the yearly period (t):

Provided that the Allotted Transmission Capacity for long-term Open Access Users, excluding partial long-term Users, shall be considered in lieu of the average monthly CPD and NCPD for calculating the Base TCR for Open Access consumers.

64.2 The SLDC Charges approved for the year shall be equally spread over the 12 months of the year and SLDC Charges per MW per month shall be computed by SLDC in accordance with the following Formula:

Monthly SLDC Charges (Rs. / MW / Month)

$$= [AFC(u)_{(t)} \div \sum_{i=1}^{n} [\text{Base TCR}(u)]_{(t)}] \div 12$$

64.3 The Open Access consumers excluding those covered under Regulations 64.1 and 64.2, shall be liable for payment of the SLDC Charges in proportion to the duration for which they were granted Open Access during the concerned billing period.

65 Fees to be Charged by SLDC

65.1 The SLDC shall recover the following Fees as approved by the Commission from time to time:

a) Registration or Connection Fees per connection from all users connecting to the Intra-State Transmission System;

b) Scheduling Fees per day for Intra-State short-term Open Access transactions;

c) Re-scheduling Fees for each revision in schedule after the finalization of schedules by the SLDC on a day-ahead basis or for non-submission of schedule as per State Grid Code requirements;

d) Short-term Open Access Application Processing Fees;

e) Any other Fees approved by the Commission from time to time.

65.2 The revenue from such Fees shall be considered for adjustment of Annual Fixed Charges in subsequent years unless the same forms part of the LDC Development Fund.

66 Billing and Payment of Charges

66.1 The SLDC shall raise monthly bill for SLDC Charges on every Long-term Beneficiary and Medium-Term Open Access consumer on the first working day of the month for the SLDC Charges of preceding month.

66.2 The monthly bill for SLDC Charges shall be payable within thirty days of receipt of bill by the Long-term Beneficiaries and the Medium-Term Open Access consumers.

PART H: GRANT OF SUBSIDIES BY STATE GOVERNMENT

67 Manner of grant of subsidy by State Government

67.1 If the State Government requires to grant subsidy to any consumer or class of consumers in the Tariff determined by the Commission, the State Government shall pay in advance the amount to compensate the Distribution Licensee / person affected by the grant of subsidy, with prior intimation to the Commission.

67.2 After the Distribution Licensee has created the required system, the consumer Bills shall clearly indicate the following details:

a) the Tariff determined by the Commission;

b) the amount of State Government subsidy and the rate and period thereof;

c) the net amount payable by the Consumer.

PART I: MISCELLANEOUS

68 Power to amend

The Commission may, at any time, vary, alter, modify or amend any provisions of these Regulations.

69 Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific Order, make such provisions not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

Annexure-A: Depreciation Schedule

Description of Assets			Depreciation Rate
A.	Land owned under full title		--
B.	Land held under lease		
a)	for investment in the land		3.34%
b)	for cost of clearing the site		3.34%
C.	Assets Purchased New:		
a)	Building & civil engineering works of permanent character		
	i)	Offices & showrooms	3.34%
	ii)	Temporary erection such as wooden structures	100%
	iii)	Roads other than kutcha roads	3.34%
	iv)	Others	3.34%
b)		Transformers, transformer (Kiosk) sub-Station equipment & other fixed apparatus (including plant foundations)	
	i)	Transformers (including foundations) having a rating of 100 kilo volt amperes and over	5.28%
	ii)	Others	5.28%
c)		Switchgear including cable connections	5.28%
d)		Lightning arrestors	
	i)	Station type	5.28%
	ii)	Pole type	5.28%
	iii)	Synchronous condenser	5.28%
e)		Batteries	5.28%
	i)	Underground Cable including joint boxes and disconnected boxes	5.28%
	ii)	Cable duct system	5.28%
f)		Overhead lines including supports:	
	i)	Lines on fabricated steel operating at nominal voltages higher than 66 kV	5.28%
	ii)	Lines on steel supports operating at nominal voltages higher than 13.2 kilovolts but not exceeding 66 kilovolts	5.28%
	iii)	Lines on steel or reinforced concrete supports	5.28%
	iv)	Lines on treated wood supports	5.28%
g)		Meters	5.28%
h)		Self propelled vehicles	9.50%
i)		Air conditioning plants:	
	i)	Static	5.28%
	ii)	Portable	9.50%
j)		Furniture and Fittings	
	i)	Office furniture and fittings	6.33%
	ii)	Office equipments	6.33%
	iii)	Internal wiring including fittings and apparatus	6.33%

Description of Assets			Depreciation Rate
	iv)	Street light fittings	5.28%
k)		Apparatus let on hire	
	i)	Other than motors	9.50%
	ii)	Motors	6.33%
l)		Communication equipment:	
	i)	Radio and high frequency carrier system	6.33%
	ii)	Telephone lines and telephones	6.33%
	iii)	Fibre Optic	6.33%
m)		I.T. equipments	15.00%
n)		Software	30.00%
o)		Any other assets not covered above	5.28%

Annexure-B: Procedure for calculation of Transmission System Availability Factor for a Month

1) Transmission System Availability Factor for a Calendar Month (TAFM) shall be calculated by the respective Transmission Licensee, got verified and certified by the SLDC and separately for each A.C. Transmission System and grouped according to sharing of transmission charges.

2) TAFM, in percent, shall be equal to (100-100 x NAFM), where NAFM is the non-availability factor in per unit for the month, for the Transmission System / sub-system.

3) NAFM for A.C. systems / sub-systems shall be equal to:

$$= \frac{[\sum_{l=1}^{L}(OH_l \times Cktkm_l \times NSC_l) + \sum_{t=1}^{T}(OH_t \times MVA_t \times 2.5) + \sum_{r=1}^{R}(OH_r \times MVAR_r \times 4)]}{THM \times [\sum_{l=1}^{L}(Cktkm_l \times NSC_l) + \sum_{t=1}^{T}(MVA_t \times 2.5) + \sum_{r=1}^{R}(MVAR_r \times 4)]}$$

Where,

I = identifies a transmission line circuit;
t = identifies a transformer / Inter connecting transformer (ICT);
r = identifies a bus reactor, switchable line reactor or Static VAR Compensation (SVC);
L = total number of line circuits;
T = total number of bus reactors, switchable line reactors and SVCs;
R = total number of bus reactors, switchable line reactors and SVCs;
OH = Outage hours or hours of non-availability in the month, excluding the duration of outages not attributable to the Transmission Licensee,
Ckt km = Length of a transmission line circuit in km;
NSC = Number of sub-conductors per phase;
MVA = MVA rating of a transformer / ICT;
MVAR = MVAR rating of a bus reactor switchable line reactor or an SVC (in which case it would be the sum of inductive and capacitive capabilities);

THM = Total hours in the month;

4) The transmission elements under outage due to following reasons shall be deemed to be available:

    a. Shutdown availed for maintenance or construction of elements of another transmission scheme. If the other transmission scheme belongs to Transmission Licensee, the SLDC may restrict the deemed availability period to that considered reasonably by him for the work involved.

    b. Switching off of a transmission line to restrict over voltage and manual tripping of switched reactors as per the directions of SLDC.

5) Outage time of transmission elements for the following contingencies shall be excluded from the total time of the element under period of consideration:

    a. Outage of elements due to force majeure events such as war, strike riot, floods, earthquake etc. beyond the control of the Transmission Licensee.

       However, onus of satisfying the SLDC that element outage was due to aforesaid events and not due to design failure shall rest with the Transmission Licensee. A reasonable restoration time for the element shall be considered by SLDC and any additional time taken by the Transmission Licensee for restoration of the element beyond the reasonable time shall be treated as outage time attributable to the Transmission Licensee. SLDC may consult the Transmission Licensee or any expert for estimation of reasonable time. Circuits restored through ERS (Emergency Restoration System) shall be considered as available.

    b. Outage caused by grid incident / disturbance not attributable to the Transmission Licensee, e.g. faults in substation or bays owned by other agency causing outage of the Transmission Licensee`s elements and tripping of lines, ICTs, etc due to grid disturbance. However, if the element is not restored on receipt of direction from SLDC while normalizing the system following grid incident / disturbance within reasonable time, the element will be considered not available for the period of outage after issuance of SLDC`s direction for restoration.