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**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION**  
**LUCKNOW**

**QUORUM**

Hon'ble Shri Arvind Kumar, Chairman

Hon'ble Shri Sanjay Kumar Singh, Member

**IN THE MATTER OF**

Uttar Pradesh Electricity Regulatory Commission (MYT for Transmission) (First Amendment) Regulations, 2025 – Statement of Objects & Reasons (SOR) thereof.

**STATEMENT OF REASONS**

1. The Commission, in the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Transmission) Regulations, 2025, applicable for the Control Period from FY 2025-26 to FY 2029-30, has provided the methodology for determination of normative Repairs and Maintenance (R&M) Expenses under Clause (7) of Regulation 13. The relevant provisions are reproduced below:

*"13. Operation and Maintenance Expenses*

*....*

*(7) Repairs and Maintenance Expense*

*The normative Repair and Maintenance expense for first year of Control period shall be allowed at the rate of 2% of the opening GFA of the year as approved by the Commission. The normative Repair and Maintenance expense for subsequent years of the control period, shall be allowed at 2% of the incremental GFA of the respective year in addition to the normative R&M value of previous year along with an annual escalation based on the Wholesale Price Index (WPI) inflation:*

*Provided that the normative R&M expense determined as per the above stipulation shall be inclusive of any impact of change in applicable taxes or duties.*

*For the purpose of ARR, WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years as per the Office of Economic Advisor of Government of India.*

*For the purpose of True-Up, WPI inflation is the actual point to point inflation for the concerned Financial Year.*



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2. Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), in its capacity as a Transmission Licensee under Section 62 of the Electricity Act, 2003, filed the Petition for True-Up of FY 2023-24, Annual Performance Review (APR) of FY 2024-25, and determination of Aggregate Revenue Requirement (ARR) for FY 2025-26. Further, in its capacity as the State Transmission Utility (STU), UPPTCL also filed the Petition for determination of Intra-State Transmission Tariff for FY 2025-26 under the UPERC (MYT for Transmission) Regulations, 2025.
3. The Commission, during prudence check while framing the base year norm for Control Period FY 2025-26 to FY 2029-30 observed that UPPTCL had carried out a reclassification of certain expenditure heads in its audited accounts for FY 2024-25 and onwards. Under this reclassification, expenditure relating to contractual manpower was shifted from Repairs and Maintenance expenses to Employee expenses. As a result, there was a corresponding reduction in R&M expenses and an increase in Employee expenses.
4. Consequently, in the Tariff Order dated 08.09.2025, the Commission computed the normative Employee expenses and normative A&G expenses based on the revised and reclassified audited values, duly factoring in inflationary escalation, as these expenses are indexed to inflation. However, the R&M expense norms, which were originally derived with reference to historical audited values and linked to 2% of the GFA, were rendered disproportionately high post reclassification, as the underlying historical R&M data had been revised downward.
5. Further, Regulation 13(5) of MYT Regulations 2025 provides that in case data required for establishing the norms is not available, the Transmission Licensee shall propose O&M norms with justification. The Commission shall approve the norms for the Transmission Licensee after prudence check which shall be applicable for the remaining Control Period. Further, Regulation 35(1) also provides that nothing in MYT Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary to meet the ends of justice.
6. In view of the above, the Commission observed that since the base data used for



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framing the R&M norms under the MYT Regulations, 2025 had undergone revision at the instance of the Petitioner, the normative R&M expenses required to be reconsidered and reapproved. The relevant findings and directions of the Commission, as contained in the Tariff Order dated 08.09.2025, are reproduced below:

*"6.3.23 **R&M Expenses:** Regulation 13.7 stipulates that R&M Expenses shall be allowed at 2% of the Opening GFA as approved by the Commission for FY 2025-26. It is pertinent to mention that the norms of R&M expenses under MYT Regulations 2025 were framed based upon the available audited values of past years. However, the Petitioner has now made reclassification in its audited accounts of FY 2024-25 and onwards, due to which certain expenses related to contracted manpower has been shifted into employee expenses from R&M expenses. This has led to reduction in expenses in R&M expenses and increase in employee expenses. In order to compute normative value of O&M expenses, the Petitioner has submitted the reclassified audited values of employee expenses and R&M expenses for the last 5 years. Accordingly, the Commission has computed the normative values of employee expenses based upon the reclassified values, which have been appropriately factored for arriving at the normative values as the same are linked with the inflation index. However, in case of R&M expenses, the norms were framed while considering past audited values of R&M expenses and were linked with 2% of GFA. As the past audited values are now changed due to reclassification of manpower related expenses from R&M to employee expenses, it is observed that the 2% of GFA comes out to be unduly high.*

*In this regard, Regulation 13(5) of MYT Regulations 2025 provides that in case data required for establishing the norms is not available, the Transmission Licensee shall propose O&M norms with justification. The Commission shall approve the norms for the Transmission Licensee after prudence check which shall be applicable for the remaining Control Period. Further, Regulation 35(1) also provides that nothing in MYT Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary to meet the ends of justice.*

*Considering above, the Commission is of the opinion that since the data, on the basis of which the norms were established under MYT Regulations 2025, has been revised by the Petitioner therefore, the Commission is required to approve the norms afresh. Thus, the norms established for R&M expenses which were kept at value of 2% of GFA under MYT Regulations 2025 need revision.*

*In this regard, it is observed that contractual manpower accounted for 23–25% of total R&M expenditure considering the average of last five-year*

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*audited and reclassified values. With this shift, the effective R&M expenses have been reduced by the same proportion. By applying a similar 25% reduction factor to the GFA-linked R&M formula, new normative value comes out to be 1.5%. Further, the Commission has observed that the R&M expense of FY 2024-25 is Rs. 491 crores and if it is projected for the FY 2025-26 after applying projected WPI of 3.65%, it comes to be Rs. 509 Crores. Therefore, after considering 1.5% of GFA, the normative R&M expenses work out to be around 59 crore higher than the above projected R&M expenditure. Further, it is pertinent to mention that reasonable R&M expenses must be provisioned as UPPTCL's network consists of old to very old assets across various voltage levels (765 kV, 400 kV, 220 kV and 132 kV levels). Maintenance of such aged assets requires higher upkeep to sustain reliability and availability. Therefore, some additional flexibility in R&M provisioning is essential to ensure 24x7 power supply to consumers and continuous availability of transmission infrastructure. Accordingly, R&M expenses has been kept at 1.5% of the opening GFA for this control period. Accordingly, an amendment to this effect shall be carried out in the UPERC (MYT for Transmission) Regulation, 2025.*

*6.3.24 Accordingly, the normative R&M Expenses for FY 2025-26 have been computed by taking the Closing GFA of FY 2024-25 (provisionally determined in the APR Chapter of this Order) as the Opening GFA for FY 2025-26 and applying a 1.5% growth factor thereon."*

7. In view of above, the Commission in exercise of power conferred under Regulation 13(5) and 35(1) had invoked its inherent powers in the Tariff Order dated 18.09.2025 in order to meet the ends of justice and thereby changed R&M expenses to 1.5% of the opening GFA for the control period instead of 2%. As the matter has already been decided and has achieved finality in its entirety therefore, in order to formally incorporate the same in the Regulations, the first amendment has been issued to Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Transmission) Regulations, 2025 dated June 06, 2025.

**Sd/-**

**(Sanjay Kumar Singh)**

**Member**

**Sd/-**

**(Arvind Kumar)**

**Chairman**

Place: Lucknow

Dated: .01.2026