



THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 76SM of 2026

QUORUM

Hon'ble Shri Arvind Kumar, Chairman

Hon'ble Shri Sanjay Kumar Singh, Member

IN THE MATTER OF

Computation and levy of Fuel and Power Purchase Adjustment Surcharge (FPPAS) for the month of June 2026.

AND

IN THE MATTER OF

1. Uttar Pradesh Power Corporation Limited,

(Through its Managing Director) Shakti Bhawan 14 Ashok Marg, Lucknow, Uttar Pradesh-226001.

..... Respondent

ORDER

1. The Commission was in receipt of letter No. 200/RAU/IC dated 29.05.2026 from UPPCL intimating that Fuel and Power Purchase Adjustment Surcharge (FPPAS) for the month of June 2026 has been determined as 20.61% however, considering the cap provided under Regulation 16.1(4) of UPERC (Multi Year Tariff for Distribution) Regulations, 2025 (hereinafter referred to as UPERC MYT Regulations, 2025), FPPAS at the rate of 10% shall be levied on consumers during the month of June 2026.
2. Further, taking into cognizance the newspaper reports wherein representative of UPPCL had indicated that the increase in power purchase cost, which resulted in the determination of the aforesaid FPPAS, is substantially attributable to certain one-time payments made in compliance with orders of the Hon'ble Appellate Tribunal for Electricity (APTEL), including arrears payable to NTPC and settlement of pending dues

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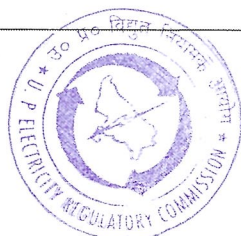
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of previous years pertaining to the Central Transmission Utility, the Commission directed UPPCL to make submission as below:

- I. Detailed computation of FPPAS, clearly indicating the components included therein;
 - II. The amount of power purchase cost and transmission charges pertaining to the relevant nth month and the amount pertaining to prior periods, if any;
 - III. The details of payments made pursuant to the orders of the Hon'ble APTEL and other past-period settlements that have been considered while computing FPPAS;
 - IV. The legal and regulatory basis under which such past-period liabilities have been included in FPPAS computation.
3. UPPCL through its reply dated June 19, 2026 has made submission regarding computation, levy and publication of FPPAS for the month of June, 2026 and justified recovery of past period liabilities based mainly on following grounds:-
- a. Power purchase cost considered for FPPAS computation in earlier months also has consistently included supplementary bills , reconciliations and prior period procurement liabilities based on a bonafide and reasonable assumption that such liabilities are to be included as they become payable during the relevant month and irrespective of whether they lead to downward or upward revision and transparently disclosed to the Commission from time to time. A specific reference is made to 10% upward levy of FPPAS in February 2026. It has also been said that change in law related claims or claims arising out of judicial interpretation or orders of hon'ble APTEL have not been included.
 - b. Exclusion of such verified costs from FPPAS would not extinguish the liability, it would merely defer recovery to subsequent true up process.

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- c. It has been said that the FPPAS framework provides for 'Actual Power Purchase cost from all sources in the (n-3)th month', hence includes all the bills verified during that month.
 - d. While the regulations specifically identify certain categories of costs that are not to be considered under the monthly FPPAS framework, regulations do not expressly exclude supplementary invoices, tariff revision claims, reconciled claims or prior period procurement liabilities from the ambit of actual power purchase cost provided they are verified, admitted and crystallized during the relevant month. Reference has been given of MPERC regulations where the regulations specifically exclude supplementary bills.
 - e. If such cost variations are not recovered in full, subject to ceiling prescribed, the licensee will lose its right to recover at the time of true up.
 - f. Power procurement liabilities do not always attain finality in the month to which the underlying energy supply pertains
 - g. Any interpretation regarding segregation of every invoice on the basis of the period to which the underlying energy relates would necessitate a complex invoice-wise historical matching exercise.
 - h. Other states like Gujarat and Delhi are also implementing it with similar interpretation.
4. The Commission has examined the submissions made by UPPCL. Accordingly, The Commission's observations have been discussed in subsequent paragraphs.
 5. With regard to the submission that requisite details about levy of FPPAS by UPPCL have been submitted to the Commission from time to time, it needs to be highlighted that submissions never disclosed that past period liabilities are being included. Even for February 2026 when 10% surcharge was imposed, the computation submitted

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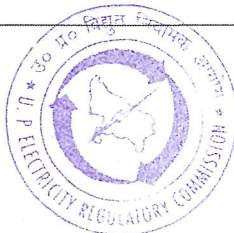
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to the Commission merely presented the source wise aggregate value of bills without specifically highlighting that supplementary bills incorporating prior period expenses had been included, nor did it explain that the resultant high value of FPPAS for the said month was attributable, in significant measure, to the inclusion of such prior period bills.

6. The Commission would like to mention that Rule 14 of Electricity Rules 2005(as amended) r/w Schedule II provides an initial methodology and formula for computation of FPPAS till such time the appropriate commission specifies otherwise. The first proviso to Rule 14 specifically states so. Accordingly different State Commissions have through their regulations given different prescriptions for levy of FPPAS. Some have adopted the Rules verbatim and some others have made changes depending upon local situation. In Uttar Pradesh after public consultation on draft regulations some changes were made from the stipulation given in Rules to make them more implementable and practical.
7. It is relevant to note that the dispensation provided under the UPERC MYT Regulations, 2025 is, in fact, materially more relaxed and balanced than the framework prescribed under the Electricity Rules in two significant respects. Firstly, while the Central Rules require the FPPCA to be levied in the (n+2)th month i.e. allowing only a two-month gap between the procurement month and the levy month, the UPERC Regulations have provided an extended window by stipulating levy in the (n+3)th month, which has been done after considering the inputs given by the licensees given at the time of framing of regulations, which specifically mentioned that two months time period will not be sufficient for computation, verification and submission of bills. Secondly, while the Central Rules prescribe a cap of 5% and partially above it on the automatic pass-through of FPPCA without prior regulatory approval, the UPERC Regulations have further delegated the powers to the licensees by setting this cap at 10%, thereby significantly expanding the headroom available to the licensees for automatic recovery of genuine month-specific cost variations without approaching the Commission for prior approval on each occasion. These relaxations were extended by the Commission in the interest of ensuring timely and

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adequate cash flow to the licensees and reducing the administrative burden of frequent regulatory approvals.

8. With regard to the contention of UPPCL that FPPAS framework provides for 'Actual Power Purchase cost from all sources in the (n-3)th month', hence includes all the bills verified during that month. Following provisions in Regulation 16.1(3) deserves mention:

*'FPPAS shall be computed and charged by the Distribution Licensee, in (n+3)th month, on the basis of actual variation, in the cost of fuel and power purchase and Inter & Intra-State Transmission Charges **for the power procured during the nth month. For example, the FPPAS on account of changes in Tariff for power supplied during the month of April of any Financial Year shall be computed and billed in the month of July. Similarly, if FPPAS is for power supplied during January of any Financial Year it will be recovered in April of next the Financial Year.'***

The wordings along with the examples cited, make it without any ambiguity, whatsoever, that variations in costs permitted to be recovered through FPPAS mechanism should be relating to power procured during that month (nth) and not prior period.

9. Further attention is drawn to definitions of each item of the formula given in Regulation 16.2:-

"16.2 Formula for Computation of Fuel and Power Purchase Adjustment Surcharge:

(1) Formula:

Monthly FPPAS for nth Month (%) = $\{ [(A-B)*C+(D-E)\$ + Adj Factor] / (Z * ABR) \} \times 100\%$

$\$$ Shall be computed in case inter-state or intra-state transmission charges are not on per unit basis

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Where,

*n*th month means the month in which the billing of FPPAS component is done. This FPPAS is due to changes in Tariff for the power supplied in the (*n*-3)th month

A is Total units procured in (*n*-3)th Month (in kWh) from all sources including Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to the Distribution Licensee)

B is bulk sale of power from all sources in (*n*-3)th Month (in kWh) = (to be taken from the provisional accounts to be issued by the State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost (including the change of fuel cost) = Actual Average Power Purchase Cost (PPC) from all Sources in (*n*-3)th month (Rs./ kWh) (computed) - Approved Average Power Purchase Cost (PPC) from all Sources for the year (Rs./ kWh) (to be taken from the latest available Tariff Order)

D = Actual Inter-State & Intra-State Transmission Charges in the (*n*-3)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (*n*-3)th Month = (Approved Transmission Charges/12) (in Rs)

Adj Factor= Change in Fuel and Power Purchase Cost (Calculated as (A-B)*C+(D-E)) for (*n*-5)th month – Amount recovered using FPPAS for the '(*n*-5)th month ' in the (*n*-2)th month

Z= Approved unit sales to retail Consumers in kWh for the *n*th month as approved in the Tariff Order or the sales to retail Consumers in kWh for the *n*th month projected in the Tariff Petition filed before the Commission in case Tariff Petition is pending before the Commission. In case Tariff Petition has not been filed, FPPAS shall not be charged.

ABR = Average Billing Rate for the year (to be taken from the latest available Tariff Order in Rs/kWh)"

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The definitions leave no scope to interpret that it can by any stretch of imagination include prior period expenses. A and C clearly say that cost variations can only relate to **'units procured in '(n-3) th month only'**. Similar definition has been given in the Rules.

10. The regulatory intent is, therefore, unambiguous that FPPAS is a mechanism designed to pass through the cost of power procured in a specific month, not a vehicle for recovery of liabilities pertaining to power supplied in prior periods. Had the regulatory intent been that all bills verified, admitted and crystallized during the relevant month are to be included there would have been no need to provide a 3 month time gap because there would have been no requirement of desegregating different nature of bills, taking out only power procurement bills of nth month and establishing a direct one to one co-relation in procurement and supply of power to consumer in these bills for the nth month to qualify for the purposes of being allowed under FPPAS mechanism. In absence of all these activities, verified bills could have been possibly recovered in the next month itself. Thus, the regulation is amply clear in its scope and the period to which FPPAS computation must relate, hence, there was no separate requirement for an express exclusion of supplementary bills relating to prior periods. The absence of an explicit exclusion cannot be construed to include costs that are inconsistent with the fundamental design and purpose of the FPPAS mechanism as defined under the Regulations. Further, exclusionary clause is structured within the domain of main provision only then it carries a sense of exclusion as has been settled in cantena of Hon'ble Supreme Court judgements. Since, the formula contains a dispensation, which is related with bills for procurement of power for nth month, which may contain charges on account of DSM, Ancillary Service & SCED charge and intention of the Electricity Rules 2005 (as amended) was to keep these charges out of the ambit of FPPAS dispensation so exclusionary clause was carved out. However, bills of prior period is not falling under the overall dispensation of bill of power procurement for nth month therefore, there was no requirement for creating an exclusionary clause on this account. Exclusionary clause cannot traverse beyond the scope of main section otherwise, it will look ridiculous to say the least beyond being a case of bad draftsmanship.

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11. The contention that exclusion of prior period costs from FPPAS would amount to extinguishment of its liability is also not correct. The claim to recover gets forfeited only when the (n-3)th month bills were available prior to nth month computation of FPPAS and still the FPPAS was not recovered/computed. Any supplementary bills or revised invoices pertaining to power supplied in (n-3)th month prior to the applicable FPPAS computation in nth month, raised subsequently can always be claimed at the time of true-up and such claims do not get forfeited. This approach is consistent with the regulatory design, ensures that FPPAS remains a month-specific, predictable, and transparent pass-through mechanism, and protects consumers from volatility caused by the arbitrary bundling of prior period liabilities into a single month's surcharge computation.
12. The Commission does not agree with the contention that segregation of every invoice on the basis of the period to which the underlying energy relates would necessitate a complex invoice-wise historical matching exercise. The Commission is of the view that proper energy accounting is a fundamental operational requirement, and power purchase invoices must in any case be tracked and verified on a period-specific basis for the purposes of energy accounting and regulatory reporting. The Commission believes that such segregation is available in the monthly bills submitted by the generators. However if that is not the case then UPPCL, in coordination with the Distribution Licensees and generating companies/power suppliers, may undertake a review of the existing format of power purchase bills and invoices, and where the current format does not clearly identify the supply period to which each billing component pertains, shall make necessary changes to the billing format and internal accounting systems to enable such identification. This will ensure that FPPAS computations are based on correctly attributed, period-specific costs, and that supplementary or revised bills are categorised and routed appropriately — either into the FPPAS computation for the relevant month or into the True-Up, as the case may be.
13. While the Commission agrees with the contention that exclusion of such verified costs from FPPAS would not extinguish the liability, it would merely defer recovery to subsequent true up process, the powers delegated to the licensees under FPPAS

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mechanism provided through regulations do not permit the licensee to do so and Licensee suo motu cannot extend the scope of delegation.

14. From the above it is amply clear that while the costs may be recoverable, but such recovery was not permissible through the delegated FPPAS mechanism. The Commission is aware that revisiting the past period computations and segregating what was current and what was prior period cost and providing for its recovery through another mechanism will have its own complexities.

15. Accordingly the Commission directs that with effect from the next FPPAS computation cycle, the computation and levy of FPPAS shall strictly conform to the framework and methodology as elaborated above i.e. the FPPAS computation for any month shall be based solely on the actual fuel cost, power purchase cost and transmission charges pertaining to the power procured during the relevant month as given in the formula, and no prior period procurement liabilities relating to any month other than the relevant month shall be included in such computation. Any such prior period claims, if not already captured in the applicable FPPAS computation month, shall be routed through the annual True-Up process for appropriate examination and recovery.

(Sanjay Kumar Singh)

Member



(Arvind Kumar)

Chairman

Place: Lucknow

Dated: 23 .06.2026