

**HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS 33-36, SECTOR - 4, PANCHKULA - 134 112, HARYANA**

Date of Hearing: 09.09.2019

Date of Order : 24.10.2019

In the matter of

Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 for the Control Period FY 2020-21 to the FY 2024-25.

And in the matter of

Objections / comments / suggestions filed in the Commission by the stakeholders on the draft MYT Regulations, 2019.

Quorum

Shri D.S. Dhesi	Chairman
Sh. Pravindra Singh Chauhan	Member
Shri Naresh Sardana	Member

1. Brief Background

1.1 Section 61 read with Section 181 of the Electricity Act, 2003 empowers the Commission to frame various Regulations specified therein. Accordingly, the Commission, vide gazette notification dated 5.12.2012, notified the Multi Year Tariff (MYT) Regulations, 2012. The first Control Period, under the said Regulation was from 1.04.2014 to 31.03.2017. Subsequently, the Commission, vide 1st Amendment to the ibid MYT Regulations (dated 17.11.2016) extended the Control Period up to 31st March, 2018. The Control Period, vide 2nd Amendment dated 31.10.2018, was further extended up to 31.03.2020.

1.2 As the extended control period under the 1st MYT Regulations, 2012 is getting over, the Commission, sou motu, initiated the process of preparing the MYT Regulations afresh so that the end of the first control period i.e. 31.03.2020 under the existing MYT Regulations, coincides with the beginning of second control period w.e.f. 1.04.2020.

1.3 The following draft MYT Regulations was prepared by the Commission for discussions and inviting objections from the stakeholders and interested person:-

“Draft MYT Regulations for discussions on Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 for the Control Period FY 2020-21 to the FY 2024-25”.

2. The draft MYT Regulations, 2019 was hosted on the HERC website for inviting comments / objections / suggestions etc. from the stakeholders and power utilities on or before 15th August, 2019. The Distribution Licensee (UHBVN) and the Transmission Licensee & SLDC (HVPN) sought some more time i.e. additional 20 days and 15 days respectively for filing their objections / comments / suggestions etc. on the draft MYT Regulations. The Commission, given the importance of the MYT Regulations and feedback of the regulated entities / stakeholders thereto extended the time for filing objections / comments / suggestions for all the stakeholders up to 30th August, 2019.

2.1 Public Notice for inviting comments / suggestions from the stakeholders on the draft MYT Regulations including the availability of the said draft on the Commission's website i.e. www.herc.gov.in for consultation, date by which objections / comments / suggestions

can be filed in the Commission i.e. 30th August 2019 and the date of public hearing i.e. 9th September, 2019 at 11.00 A.M. was inserted in the following newspapers having wide circulation in Haryana.

- i. Dainik Bhaskar (Hindi) dated 25th August, 2019.
- ii. The Tribune (English) dated 25th August, 2019.

2.2 In response to the ibid public notice the following stakeholders filed their written objections / comments / suggestions etc.: -

- i. Shri Anil Sharma, on behalf of Lanco Amarkantak Power Ltd.
- ii. Ms. Namrata Mukherjee, on behalf of Sterlite Power Transmission Ltd.
- iii. Chief Engineer/SO & Commercial, HVPN, Panchkula.
- iv. Executive Engineer / RA, UHBVN, Panchkula.
- v. Managing Director, HVPN, Panchkula.

3. The Commission, while giving a final shape to the MYT Regulations has considered all the written objections / comments / suggestions filed by the interveners as well as oral submissions made in the hearing held on 9.09.2019. The main objections of the interveners and the Commission's view / decision on the same are being presented in the paragraphs that follow. It needs to be noted that the comments / suggestions or rewording of certain regulation(s), addition deletion of words, inadvertent / typographical errors etc. pointed out by the interveners have been incorporated wherever found appropriate.

4. Objections / suggestions / comments filed by the Interveners and Commission's decision thereto: -

4.1 The intervener Lanco Amarkantak Power Ltd has raised the following issues for the consideration of the Commission: -

4.2 It has been submitted that in order to maintain regulatory certainty and consistency the Commission should apply uniform principles and practices i.e. inline with the National Tariff Policy (NTP) and Central Electricity Regulatory Commission.

Commission's Views / Decision: -

The Commission has considered the ibid general suggestions and is of the view that in the draft MYT Regulations, the norms w.r.t. generation and transmission has been mostly kept inline with the CERC except for certain deviations keeping in mind the ground realities existing in Haryana including the experience gained during the first MYT Control Period. Further, the dispensations for the Distribution Licensees including additional surcharge, cross-subsidy surcharge etc. have been formulated in line with the NTP guidelines with appropriate deviations wherever considered necessary after considering Haryana specific issues and the recently notified MYT Regulations of a few other SERCs.

4.3 On the issue of bank rate (definition & interpretation 3.8) the intervener has submitted that in line with CERC a margin of 350 basis point may be considered over and above the applicable MCLR for providing interest on working capital loan to the power generating companies.

Commission's Views / Decision: -

The Commission has considered the aforesaid suggestions and observes that over 80% of the cost to serve, to the electricity consumers, comprises of the cost of power. Hence, any interest cost on working capital loans allowed will only add up to the financial burden of the electricity consumers. Hence, in order to balance the interest of the power generator and the electricity consumers, the draft MYT Regulations provided for MCLR i.e. below which the banks are not permitted to extend loans. However, it was brought to

the notice of the Commission that the lending institutions are mostly Power Finance Corporation, REC etc. and they have their own lending norms which is higher than that of Bank's MCLR. **In view of this the Commission considers it appropriate to allow a maximum of 150 basis points (1% = 100 basis points) over and above the MCLR prevalent at the beginning of the relevant financial year. Hence, finding some merit in the arguments of the intervener, the said clause appearing in the draft MYT Regulations shall be amended accordingly.** It is however added that interest on working capital as well as term loan largely depends on the efficiency of the company in managing its finances. Given the fact that the power generating companies as well as the distribution / transmission licensees are allowed cost reflective tariff along with an assured reasonable return on 'equity' there ought not to be any occasion that the spread between MCLR and the actual lending rate should be at significant variance. Hence, while claiming any spread, limited to 150 basis points, the entities should submit the loan sanction letter from the banks / lending institutions indicating the applicable rate of interest.

- 4.4 On the issue of Additional Capitalisation (18.2) the intervener herein has submitted that it is common knowledge that coal based thermal power plants including that of HPGCL have been facing difficulty in Ash disposal / evacuation and have to incur additional capital expenditure for raising of the Ash Disposal system. Hence, additional capital expenditure, on account of raising of the ash dyke may also be included in the MYT Regulations in line with clause 25(g) of the CERC Regulations.

Commission's Views / Decision: -

The Commission has taken note of the aforesaid suggestions of the intervener and observes that the regulation 18.2.2 (e) takes care of any such exigencies arising out of ash disposal system. Hence, no further change, on this issue, is required in the MYT Regulations.

- 4.5 It has been submitted by the intervener that RoE (20.1) needs to be pegged at 15.5% in line with the CERC Regulations.

Commission's Views / Decision: -

The Commission has considered the aforesaid objection and is of the considered view that the RoE provision has been made in the draft Regulations after due deliberations. The Commission decided to keep this dispensation in line with the HERC MYT Regulations, 2012 after taking a holistic view of the power sector in Haryana. Since the RoE allowed to the generator and transmission licensee passes on to the Discoms and ultimately to the electricity consumers. Hence, there is a need to balance the interest of all stakeholders as well as operating efficiency of the generator / licensee. Resultantly, no change in the draft MYT Regulations, 2019 is required.

- 4.6 While commenting on the dispensation of interest on working capital (22) it has been submitted by the intervener that the same are not in line with the CERC Regulations, 2019-24. Hence, the benchmarks ought to be as per the CERC Regulations.

Commission's Views / Decision: -

The Commission has considered the aforesaid submissions and is of the view that the dispensation on cost of coal / secondary fuel oil / O&M expenses and maintenance spares are based on empirical evidence of achievability of the same, hence, no change in these norms are required.

The Commission finds no merit on 'receivables' as well. It is noted that in the absence of lead-lag study and the fact that the Utilities as well as the Generating companies do have the cushion of managing their account payables with a lag. Hence, it may not be appropriate to pass on additional financial burden to the

electricity consumers of the State. Hence, the Commission has considered it appropriate to maintain the same to one month only of the receivables.

4.7 Rate of interest on working capital (22) – this issue has already been dealt by the Commission at para 3.4 of the present Order.

4.8 The intervener herein has suggested changes in the definition of Operating and Maintenance Expenses (3.40) to bring it inline with that of CERC Regulations 2019-24 which also provides for reimbursement of water charges and security expenses.

Commission's Views / Decision: -

The Commission has carefully considered the aforesaid contention of the intervener and observes that the O&M practices may vary from one state to the other. All expenses i.e. employees, routine repair and maintenance and administrative & general expenses have been accounted for based on the situation obtaining in Haryana including the escalation factor. Hence, no change in the draft MYT Regulations is required. Further, truing – up of un-controllable expenses as per the principles of truing-up incorporated in the Regulations is an essential element of MYT Framework, hence the same cannot be dispensed with.

4.9 The intervener has submitted that the methodology for recovery of Fixed / Capacity Charges as per the draft MYT Regulations is too complex and may lead to under – recovery of capacity charges in the absence of mechanism to off-set recovery of capacity charge during high / low demand season. Additionally, it has been submitted that even the CERC has proposed to implement such dispensation from 1.04.2020 after obtaining practical experience from NLDC / RLDCs.

Commission's Views / Decision: -

The Commission has considered the above objection of the intervener and finds some merit in the same. However, these Regulations will become effective from the beginning of the second control period only i.e. 1.04.2020 as also envisaged by the Central Commission. Thus, the Commission is of the considered view that there is no need to delete this dispensation from the MYT Regulations. The same shall continue as an option available to the Commission while issuing the annual tariff Order from 1.04.2020 onwards. Resultantly, the language of the same shall be changed accordingly.

4.10 On the issue of Non-Tariff Income (45) the intervener has suggested that instead of deducting the entire non-tariff income, the same should be aligned with the CERC Regulations wherein the non-tariff income is shared between the generator and beneficiaries.

Commission's Views / Decision: -

The Commission has considered the aforesaid objection and is of the view that assets put to use by a generating company the entire capital cost as well as operating expenses is paid for by the beneficiaries / electricity consumers including interest on the debt component, depreciation to recoup the admitted project cost and return on equity component. Hence, it would not be fair for the beneficiaries in case the income arising from the use of the same assets is not entirely passed on to them by reducing the ARR by the amount of non-tariff income. Hence, no change in the dispensation on Non-Tariff Income in the draft Regulations is required.

5. Sterlite Power Transmission Limited: -

The intervener herein has suggested some changes in the definition of ARR (3.4), definition of 'beneficiary' (3.10), Change in Law (3.19); date of commercial operation (3.20 (d)); Prudence Check (3.43); definition of contracted capacity and 'scheduled generation' to be included in section 3. The Commission has taken note of the

suggestions of the intervener and shall incorporate changes wherever felt appropriate including the definition of scheduled energy.

5.1 The intervener has suggested that the Transmission Utility, for all the intra-state transmission projects above a threshold limit, should adopt Tariff Based Competitive Bidding (TBCB) by including the same in their business plan. The Commission has considered the submission and is of the view that nothing prohibits the Transmission Utility / Licensee from adopting the competitive bidding route and submit a proposal along with RFQ, RFP and TSA for approval of the Commission. In such cases the tariff is adopted by the Commission as per section 63 of the Electricity Act, 2003. Hence, the STU / Licensee, given their long experience in implementing intra-state transmission projects may itself decide, on project to project basis, whether to execute the project itself partly / wholly or through TBCB route. Resultantly, no change in the draft Regulations is required.

5.2 The intervener has suggested to include, the provision keeping in mind the intermittent nature of RE Power and grid integration thereto, in the power procurement plan (8.3.5). The suggested proviso is as follows, "The power procurement plan shall be prepared incorporating aspects of peak support / peak shifting, ramping requirements, ancillary services, grid security and deviation management. This shall be done by way of including provision for Energy Storage Systems in the power procurement plan".

Commission's Views / Decision: -

The Commission has taken note of the above and finds the suggestion relevant in the present context of large-scale deployment of RE Power given the limitations of fossil fuel-based generation. Hence, the paragraph suggested shall be included in the MYT Regulations under consideration of the Commission.

5.3 It has been suggested by the intervener that the capital investment plan should cover at least next ten years (9.1). It has been further suggested to include integration of renewable energy sources, congestion management, frequency and voltage regulation, IT related projects in the purpose of investment for the transmission licensee (9.2) and managing peak shifting requirements, congestion management, frequency and voltage regulation in the purpose of investment for the distribution licensee (9.2).

Commission's Views / Decision: -

The Commission has considered the above suggestions and agrees with the modification suggested by the intervener. Hence, the same shall be included in the MYT Regulations under consideration of the Commission except that the minimum period to be covered shall remain un-changed given the dynamic and evolving nature of the power sector, A longer time horizon as suggested by the intervener may render the entire exercise purely academic and not of much relevance.

5.4 The intervener has suggested certain modification in regulation 9.5 and 10.3 of the draft Regulations. The Commission has taken note of it and has already dealt with the issue of project implementation through TBCB route.

5.5 The intervener has pointed out aberrations in Regulation 34 of the draft regarding technical minimum as 40% as against the figure mentioned in the tables i.e. 55%. **The Commission has taken note of the aberration pointed out by the intervener and orders that technical minimum shall be read as 55% instead of 40% of MCR loading or installed capacity on the unit at the generating station. However, this dispensation shall not apply to the thermal stations of 250 MW and below i.e. Panipat Thermal Power Station (PTPS). Consequently, a proviso to this effect shall be added to the said regulation.**

- 5.6 It has been pointed out by the intervener that there is a lack of clarity in Regulation 50 of the draft on payment of transmission charges i.e. the long term and medium-term beneficiaries of the Transmission System shall pay no other charges for the use of Transmission Network of STU. It has been submitted that what these “other charges” are and whether the beneficiaries are not required to pay other charges say reactive energy charges.

Commission’s Views / Decision: -

The Commission has taken note of the above contention of the intervener.

6. Haryana Vidyut Prasaran Nigam: -

- 6.1 The intervener has suggested that regulation 2.2 pertaining to Section 63 of the Act may be modified to include guideline issued by the State Government as well besides the Central Government.

Commission’s Views / Decision: -

The Commission has considered the aforesaid suggestions and is of the view that it is beyond the scope of the State Commission to add / delete any provision of the Electricity Act. Section 63 specifically provides for guidelines issued by the Central Government and hence State Government cannot be appended to the same till the time the said provision of the Act is amended by the Central Government and/or Haryana specific amendment is got approved by the authority competent to do so.

- 6.2 It has been pointed out that numbering of the definition is at times repeated and hence need to be corrected. The Commission has taken note of it and shall do the necessary corrections while giving a final shape to the MYT Regulations under consideration.
- 6.3 It has been pointed out that availability (3.8) may be defined separately as the same gets mixed up with the Plant Availability Factor (PAF). The Commission has taken note of the suggestion and notes that the same i.e. Transmission System Availability and Plant Availability Factor have been defined separately in the MYT Regulations. Hence, no further modification of the same is required.
- 6.4 It has been pointed out by the intervener that the definition of “change in law” in the draft is at variance with that of CERC. The Commission has considered the suggestions and agrees to align the same as suggested.
- 6.5 The Commission has taken note of the comments of the intervener on the issue of billing efficiency, transmission pricing mechanism as well as on ‘Control Period’. As suggested the First Control Period appearing in the draft (8.2) shall be replaced by ‘Second Control Period’ and the same shall be accordingly corrected in the regulations 9.14, 10.8 & 14.1 as well.
- 6.6 On the issue of Employees Cost (8.3.7) the intervener has suggested that since this cost has been classified as “uncontrollable expense” and the variation is trued up by the Commission, the same may be allowed as pass through component by amending the provisions of the draft MYT Regulations, 2019.

Commission’s Views / Decision: -

The Commission has considered the aforesaid suggestion and is of the considered view that the principles of truing-up is based on the availability of audited accounts of the generating company / licensee, upfront it is not possible to know the exact / actual amount. Hence, employees cost as part of the O&M expenses is allowed on normative basis and the difference, if any, between the normative amount and that appearing in the audited account for the relevant year is trued up as per the regulations in vogue. Resultantly, the Commission is not convinced regarding the need to modify the draft as suggested by the intervener.

6.7 Business Plan (10.1) – the intervener has suggested that separate filing of Capital Investment Plan and Business Plan before the MYT Petition serves no purpose and is a futile exercise. Hence, it has been suggested that the same should be done away with.

Commission’s Views / Decision: -

The Commission has considered the above suggestions and observes that the objective behind separate filing of Capital Investment Plan, Business Plan and MYT Petitions are different. It (Business Plan) provides an opportunity to the generator / Licensee to chalk out business plan / model as a strategic document over a longer time horizon with appropriate assumptions given the dynamic nature of power sector and evolving technology and accordingly undertake micro level Capital Investment Plan. This also given an opportunity to the Commission sufficient time to analyse the same. Clubbing these details in the MYT Petition will make the ARR/Tariff petition cumbersome including the disposal of the same in a time bound manner as per the Electricity Act, 2003. Hence, the suggestion of the intervener is un-acceptable. **No change in the provision of the draft MYT Regulations under consideration of the Commission is required on this count.**

6.8 The Commission has taken note of the intervener’s comments on load flow as well as Annexure – III. Regarding formats (annexures), the generating company / licensee shall continue to submit their respective petition as per past practice including new format as per these regulations till the time new formats are finalised by the Commission.

6.9 The Commission has perused the submissions of the intervener on sharing of gain (12.4) and losses and observes that it may not be prudent to allow higher share of gains / incentives as the generating company / licensees are allowed in the ARR / Tariff all the expenses as well as guaranteed return on equity. Hence, the gains ought to be shared equally or at the most in the ratio of 60:40 in case the Commission considers it appropriate while dealing with the MYT Petitions. As far as utilisation of 10% additional gain is concerned it is better left to the decision of the Commission from time to time during the Control Period. However, the generating companies / licensee may submit the manner in which the same ought to be utilised for the consideration of the Commission. Hence, the enabling provision in the draft Regulations needs no change. Additionally, the Commission has considered the submissions on review at the end of the control period (14.2) and agrees with the contention of the intervener. **Resultantly, the word ‘second’ appearing in the draft shall be substituted with ‘Third’.**

6.10 The intervener has objected to draft MYT regulations 18 w.r.t. providing the ceiling percentage of initial spares of GIS equipment, rationale for refunding at 1.20 times of the bank rate and re-wording of the controllable factors i.e. to include exception “except where the delay is attributable to the generating company or the transmission licensee”.

Commission’s Views / Decision: -

The Commission has considered the above objections and is of the view that the generating company / licenses ought to carry out meticulous planning of capital expenditure considering all the factors including land acquisition, requisite clearances etc. so as to avoid all possible delays which may have downstream cascading effect before seeking approval of the Commission. Hence, making any exception for Capex for which interest cost and depreciation etc. is borne by the beneficiaries / consumers is not appropriate. Further, refund of such amount built into the tariff / revenue stream of the generator / licensee without any corresponding benefit accruing to the beneficiaries / electricity consumers ought to be done at a rate higher than the normal interest rate so that there is some in-built deterrent as the tariff (as per the Act) cannot be normally changed more than once in a financial year, thus, the beneficiaries ends up bearing the burden of Capex not incurred at all. Further, it may not be possible for pegging ceiling benchmarks for initial spares across all technology i.e. GIS. **Hence, no change in the draft MYT provision is required on these issues.**

6.11 The issue of RoE raised by the intervener has already been dealt with by the Commission in the present Order. Further, the Commission finds it appropriate to **replace the word “risk” appearing in regulation 24.5 with “rate” as suggested by the intervener.**

6.12 The intervener has suggested that Normative Transmission System availability factor may be pegged at 98% instead of 99.2% (draft regulation 45.1) and also modify the number of trippings per year per element without adding additional hours in line with CERC Regulations.

Commission’s Views / Decision: -

The Commission has considered the above and observes that the transmission system availability of transmission licensee is generally above 99%. Hence, in order to claim incentive, the licensee ought to go an extra mile. **The Commission is of the considered view that the draft NATAF norms as well as tripping hours are in order as the same is in line with the availability reported / achieved from time to time. Hence, no change is required.**

6.13 It has been argued by the intervener that in line with CERC Regulations, the base RoE ought to be grossed up by the effective income tax rate of the respective financial year as against the draft regulation 25 wherein it has been provided that the same should not be treated as an expense or a pass-through component in the tariff.

Commission’s Views / Decision: -

The Commission has considered the above and observes that after taking a holistic view of the power sector in Haryana, the Commission had made this dispensation in the first MYT Regulations, 2012 as well. Hence, the Commission has considered it appropriate to continue with the same in the second Control Period as well to balance the interest of all stakeholders including the electricity consumers who bears the ultimate financial burden through tariff and charges. Hence, the contention of the intervener lacks merit as their only arguments is based on the dispensation of CERC regarding this.

6.14 The Commission has taken note of the objection of the intervener on draft regulation (27) regarding hiring of consultants and sports team and accepts the same. **Hence, the said regulation shall be deleted.** However, the Commission expects that the generating companies / licensees should undertake comprehensive manpower planning and budgeting as well as proper training and re-skilling its human resources to rein in the employees’ cost.

6.15 It has been suggested by the intervener that the intra – State transmission loss trajectory as per the draft regulations is stringent and the same should be aligned with the provision of CERC (normative loss of every 50 km distance) and advice of the Central Electricity Authority.

Commission’s Views / Decision: -

The Commission observes that the intra – State transmission norms determined by the Commission in the draft regulations begins with 2.15% and ends with 2.0% at the end of the second control period. These benchmarks have been determined by the Commission based on performance in the recent past as well as the fact that the Commission, each year, allows Capex for improving the transmission system. Hence, despite the fact that the quantum of energy handled increases (ref. law of physics) the investments in transmission system improvement ought to get reflected in reduction of transmission losses. **Hence, the Commission finds no merit in the submissions of the intervener on this issue. No change in the loss reduction trajectory, as set out in the draft, is required.**

6.16 The typographical error in the formula ‘O&M’ instead of ‘R&M’ (45.3(a) as pointed out by the intervener shall be corrected.

6.17 It has been submitted by the intervener that most of the SERCs provide O&M expenses norm excluding efficiency factor (45.3). The Commission is of the considered view that ‘efficiency’ factor is an important parameter of performance-

based Regulations, hence the same shall be retained. Resultantly, no change in the formula as set out in the draft is required.

6.18 The Commission has further considered the submission of the intervener that SLDC charges for short term open access consumers needs to be specified in these regulations as well as regarding the timeline for filing Capital Investment Plan & Business Plan. The Commission observes that recovery of SLDC charges is set out in the HERC Open Access Regulations and the same, as amended from time to time, shall continue. Regarding the timeline, the Commission observes that CIP & Business Plan needs to be submitted separately prior to the MYT Petition, so that adequate time is available to the Commission to analyse the same. **Hence, the provisions in the draft MYT Regulations is in order.**

7. Haryana Power Generation Corporation Ltd. (HPGCL) - The objections / comments filed by the Interveners on the draft discussions paper and Commission's views / decisions thereto are presented below: -

7.1 Reg. clause no 3 (20): Date of commercial operation (COD) As per HERC Draft Regulation:-

- a. In relation to a generating unit, the date declared by the generating company after demonstrating the maximum continuous rating (MCR) or Installed Capacity (IC) through a successful trial run after seven days notice to the beneficiaries and scheduling shall commence from 00.00 Hrs. after the successful completion of trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and in vogue and / or re-enacted.
- b. In relation to the generating plant, the date of commercial operation of the last unit or block of the generating plant;
- c. In relation to Hydro Power Plants including PSP, CoD shall be the date declared by the Generating Company after demonstrating peaking capacity corresponding to the installed capacity of the generating station through successful trial run. Scheduling shall commence from 00.00 Hrs. after completion of the trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and / or re-enacted.

Provided further, that in case a hydro generating station, with pondage, is unable to demonstrate peaking capacity corresponding to the installed capacity due to insufficient reservoir / pond level, the CoD shall be consider as the date of commercial operation of the last unit of the generating unit. However, it shall be mandatory for such hydro generator to demonstrate peaking capacity corresponding to the installed capacity as and when such reservoir / pond level is achieved. The same in the case of run-of-river shall be as soon as sufficient water flow is available subsequent to the lean inflow season.

- d. in relation of transmission system, the date from 00.00 Hrs of charging the transmission system or part thereof to its rated voltage level or seven days after the date on which it is declared ready for charging by the transmission licensee, but is not able to charge for reasons not attributable to the transmission licensee, its suppliers or contractors.

Provided in the case of dedicated transmission line / sub-station, the Generating Company and the Transmission Licensee shall ensure that the transmission system is commissioned well within the time frame agreed upon by them. However, in case the delay in commissioning is on account of the generating station concerned, the transmission licensee shall approach the Commission with an appropriate petition for approval of the CoD of such transmission system or transmission element as such.

Comments filed by HPGCL:

Definition needs to be reviewed and corrected in line with CERC/ State Grid Code.

Commission's View / decision: -

The Commission has perused the above objections / suggestions and observes that the same is too general in nature for the Commission to deliberate on the matter further.

7.2 HPGCL has further suggested that following may be added relating to trial run or trial operation: -

Trial Run or Trial Operation: Trial Run or Trial Operation in relation to a thermal Generating Station or a unit thereof shall mean successful running of the generating station or unit thereof on designated fuel at Maximum Continuous Rating or Installed Capacity for a continuous period of 72 hours and in case of a hydro Generating Station or a unit thereof for a continuous period of 12 hours:

Provided that:

(i) The short interruptions, for a cumulative duration of 4 hours, shall be permissible, with corresponding increase in the duration of the test. Cumulative Interruptions of more than 4 hours shall call for repeat of trial operation or trial run.

(ii) The partial loading may be allowed with the condition that average load during the duration of the trial run shall not be less than Maximum Continuous Rating, or the Installed Capacity excluding period of interruption and partial loading but including the corresponding extended period.

(iii) Units of thermal and hydro Generating Stations shall also demonstrate capability to raise load upto 105% or 110% of this Maximum Continuous Rating or Installed Capacity, as the case may be.

Commission's View / decision: -

The Commission has perused the above objections / suggestions and finds the same in order and are added as part of definitions.

7.3 Reg. clause no 3 (32): Installed Capacity or "IC"; As per HERC Draft Regulation:

"installed capacity" or 'IC' means the summation of the name plate capacities of all the units of the generating plant or the capacity of the generating plant (reckoned at the generator terminals) approved by the Commission from time to time;

Comments filed by HPGCL:

Word /**De-rated** should also be inserted with rated capacity in the definition of Installed capacity of the generating station.

Commission's View / decision: -

The Commission has perused the above objections / suggestions and observes that no reasoning/justification for the comments has been provided by the intervener. Accordingly, the Commission is not inclined to consider the same.

7.4 Reg. clause no 5(5): Regarding tariff for Western Yamuna Canal Hydro project.

As per HERC Draft Regulation:

For the plants, which are not covered under ABT i.e. Western Yamuna Canal Hydro Project, Bhudkalan and Kakroi Hydro Power Plants, a single part tariff based on a normative PLF shall be determined by the Commission.

Provided the Commission may determine tariff for hydro power projects up to 25 MW separately as per the norms specified in the HERC RE Tariff Regulations in vogue.

Comments filed by HPGCL:

Provision in line with HERC MYT Regulation, 2012 (regulation 34.5(d)) needs to be added for sake of clarity as under: -

“The energy rate in terms of Rs. Per kwh will be determined by dividing the amount (in rupees) arrived at as above by energy sent out (in kwh) in the financial year calculated based on the normative PLF and Aux. cons. approved by the commission for the corresponding year.”

Commission’s View / decision: -

The Commission observes that the provision in the draft MYT Regulations is self-explanatory and no further action on the same is required.

7.5 Reg. clause no 8(3.3): O&M Escalation Rate ; As per HERC Draft Regulation:

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XXXXXXXXXXXXXXXXXXXX

Provided further that an escalation factor of 4% per annum shall be considered to arrive at the applicable O&M norm for the relevant financial year of the control period.

Comments filed by HPGCL:

It should be linked with WPI & CPI.

Commission’s View / decision: -

The Commission observes that the MYT control period is five years. The projected indices of WPI & CPI are not published and only the historical data is available. Therefore, no changes in the regulation is required.

7.6 Reg. clause no 8(3.7): Controllable and Uncontrollable items of ARR, As per HERC Draft Regulation:

Fuel Price (excluding that pertaining to domestic coal procured through e-auction/open market and imported coal)	Uncontrollable
Fuel Price pertaining to domestic coal procured through e-auction/open market and imported coal	Controllable
GCV of fuel (excluding that pertaining to domestic coal procured through e-auction/open market and imported coal)	Uncontrollable
GCV of domestic coal procured through e-auction/open market and imported coal	Controllable

Comments filed by HPGCL:

Fuel Price and GCV pertaining to domestic coal procured through e-auction /open market and imported coal covered should be kept uncontrollable items when it is procured under forced circumstances beyond the control of the generator to run the plants.

Commission’s View / decision: -

The Commission has considered the objection filed by HPGCL and is of the view that Generator is expected to operate on the linkage coal available from Coal India Ltd and its subsidiaries. Accordingly, Fuel Price and GCV of the same has been treated as uncontrollable and any variation in fuel price/GCV is passed on to the DISCOMs. However, any other mode of procurement of coal by the Generator i.e. e-auction/open market/imported coal, is allowed only upto normative levels , unless specifically approved otherwise by the Commission. Therefore, no change, as suggested, is required.

7.7 Reg. clause no 12(3) & 12(5.2): Item-wise computation of the gains and losses.

As per HERC Draft Regulation:

12.3 The gains / losses shall be computed item wise separately for each business. The computations shall be based on the data submitted by the generating company and the licensees in the application for mid-year performance review/true – up and audited annual accounts corresponding to the financial year.

12.5.2 The item wise losses on account of controllable factors in case of a generation company/transmission licensee, unless otherwise specifically provided by the Commission, shall be borne by the generation company/ transmission licensee.

Comments filed by HPGCL:

While the regulations provide for sharing of gains, losses have to be borne entirely by the utility. Due to the 'item wise' computation of the gains and losses, the Power Utilities are again being penalized unfairly and will create imbalance. Since only half of the gains can be retained by the Utilities, they will not be able to fully offset gains on one item against the losses on another item.

It is therefore proposed that the gains or losses should be computed on cumulative aggregate basis and not on item wise for considering under incentive/penalty mechanism.

Commission's View / decision: -

The Commission observes that Incentive and Penalty framework has been devised for the controllable factors viz. PAF, SHR, AUX, SFC and transit loss of coal. The generator is allowed to recover the cost on controllable parameters on normative basis and in order to incentivize them to perform better, the provision of sharing of gain has been provided in the Regulations so as to balance the interest of all stakeholders including the ultimate consumers. Therefore, no further change in the regulation is required on this issue.

7.8 Reg. clause no 15(3): Component of the Fixed cost as per HERC Draft Regulation:

15.3 The fixed cost of generating plant (thermal or hydro) shall include the following elements:

- a) Return on equity
- b) Interest and financing charges on loan capital
- c) Interest on working capital
- d) Depreciation
- e) Operation and maintenance expenses
- f) Cost of secondary fuel oil (only for thermal) [proposed to be included in VC in line with CERC]
- g) Foreign exchange rate variation, if any
- h) All statutory levies and taxes, if any, excluding taxes on income,

Comments filed by HPGCL:

- (i) Part of the Aux. Cons. should also be included in the component of fixed cost as per the norms prescribed under Regulation 28(2)(b)(a) of the draft Regulation.
- (ii) In view of the considerable reduction in the norms of the Specific Oil Cons. (50% of the existing norms) as prescribed under Regulation 28(4)(a) of the draft regulation, component (f) of the fixed cost for exclusion from the fixed cost be reviewed and be retained in the fixed cost component only. As per Regulation 15.4 also ECR is comprise of only the primary fuel cost. Due to abnormal backing down of the HPGCL Generating plants actual average Sp. Oil consumption also remains higher in the past than the proposed norms. The proposed norms of Sp. Oil cons. will not be achievable in the existing plants of HPGCL, as such existing norms of Oil Cons. as per Regulation 2012 should be continued for these plants.
- (iii) For the new plants HERC may consider the proposed norms of the Sp. Oil Cons. norms or it may be kept of semi variable nature i.e. a part of the same may kept as fixed component and other as variable. Correspondingly, in Regulation 29(c) will also require to be reviewed for recovery of fuel oil price adjustment on month to month basis or at the end of the year.

Commission's View / decision: -

The Commission has considered the objections filed by HPGCL and observes as under: -

i) The logic of allowing the recovery of part of Auxiliary Consumption as fixed component is already addressed by the Commission in Generation Tariff Orders, whereby the recovery of Auxiliary Consumption when boxed up is allowed at variable cost. Accordingly, the Commission decides that: -

a) Auxiliary consumption shall not form part of fixed cost. Accordingly, the provision to Regulation clause no. 28 (2)(b) shall be deleted.

ii) Specific Oil Consumption has been included in Variable cost, following the conscious decision taken in line with the CERC Tariff Regulations, 2019 and the Commission is not inclined to reconsider the same. Further, the Commission has examined the submission of HPGCL that proposed norms of Sp. Oil cons. Of 0.5 will not be achievable in the existing plants of HPGCL. However, HPGCL in Petition no. HERC/PRO-59 of 2018 & HERC/PRO-81 of 2017, has submitted actual average SFC of its plants for the FY 2017-18 & FY 2016-17 as 0.43 & 0.38, respectively, which is within the proposed norms of 0.5. Therefore, the Commission is not inclined to accept the views of HPGCL in totality. However, given the vintage of the HPGCL's power plants at Panipat (PTPS) the SFC shall be pegged at 1.0 ml / kWh.

iii) The views expressed by HPGCL have already been considered herein above and no further deliberations on the same is required. Further, the volume and variation in SFC is not material to consider the recovery of fuel oil price adjustment on month to month basis and the same can be at the end of each year as per regulation no. 29 (C) of the draft MYT Regulations.

7.9 Reg. clause no 9: Capital cost as per HERC Draft Regulation:

9.7 In the normal course, the Commission shall not revisit the approved capital investment plan during the control period. However, during the mid-year performance review and true-up, the Commission shall monitor the year wise progress of the actual capital expenditure incurred by the generating company or the licensee vis-à-vis the approved capital expenditure and in case of significant difference between the actual expenditure viz-a-viz the approved expenditure, the Commission may true up the capital expenditure, subject to prudence check, as a part of annual true up exercise on or without an application to this effect by the generation company/licensee. The generating company and the licensee shall submit the scheme-wise actual capital expenditure incurred along with the mid-year performance review and true-up filing.

9.8 In case during the mid-year performance review, the actual cumulative capital expenditure incurred up to the current year starting from first year of the control period, is less by more than 15% of the approved cumulative capital expenditure, the Commission shall true-up the costs incidental to the actual capital expenditure in the current year and remaining years of the control period.

Provided that the actual capital expenditure incurred shall be only for the schemes as per the approved capital investment plan.

Provided that if the actual capital expenditure incurred is more than the approved capital expenditure, the Commission shall not allow any true-up of the cost incidental to such variations.

18.1 Prudence Check of Capital Expenditure:

Generating Company or the Transmission Licensee

Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure exceeds the actual additional capital

expenditure incurred on year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term transmission customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with interest at 1.20 times of the bank rate as prevalent on 1st April of the respective year.

Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure falls short of the actual additional capital expenditure incurred by more than 10% on year to year basis, the generating company or the transmission licensee shall recover from the beneficiaries or the long term customers as the case may be, the shortfall in tariff corresponding to difference in additional capital expenditure, as approved by the Commission, along with interest at the bank rate as prevalent on 1st April of the respective year.

Distribution Licensee

Any excess tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization by more than 10% during the year, shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate at 1.20 times of the bank rate prevalent on 1st April of respective year:

Comments filed by HPGCL:

Certain duplicity/ errors have been observed in the proposed Regulation while referring to the CERC Regulation. The Regulations should be reviewed and be kept in line with the CERC Regulation 19 & 23, including the norms of the initial spares. Under regulation 18.1, procedure for making prudence check is required to be incorporated instead of defining the rate of recovery in case the projected additional expenditure exceeds the actual additional capital expenditure. The mechanism for the treatment of the differential capital expenditure is already detailed in Regulation 9.7 & 9.8. More so interest on differential capital cost will become a part of the true up cost which will be allowed by the Commission with a holding cost at the rate of IWC.

Commission’s View / decision: -

The Commission has considered the objections filed by HPGCL and observes that the Regulation 18.1 in the draft MYT Regulations, 2019 has been incorporated based on the similar approach adopted in the CERC Tariff Regulations, 2019. Accordingly, the Commission is not inclined to change the same. However, “15%” in the draft Regulation no. 9.8 shall be replaced by “10%”.

7.10 Reg. clause no 18 (e): Initial spares as per HERC Draft Regulation:

Capitalized Initial spares subject to the ceiling rates, as a percentage of the original Plant and Machinery cost as on the cut-off date, as specified below:-

Generating Company	1. Coal-based generating plants:	2.50%
	2. Gas Turbine / Combined Cycle generating plants	4.00%
	3. Hydro Generation Plants	1.50%
Transmission licensee	Transmission lines	0.75%
	Transmission substations	2.50%
	Series compensation devices and HVDC stations	3.50%
Distribution Licensee	Distribution Business Projects	1.50%

Comments filed by HPGCL:

The ceiling norms of initial spares to be capitalized needs to be reviewed and revised in view of the present position and also keeping in view the CERC norms i.e. 4%.

Commission's View / decision: -

The Commission observes that there is no uniformity in the adoption of ceiling rate of initial spares by various Commissions e.g. Punjab Electricity Regulatory Commission has also kept the rates in its MYT Regulations, 2019, at par with the HERC Draft MYT Regulations, 2019. Further, Himachal Electricity Regulatory Commission in its Tariff Regulations in force for Hydro has kept the rate at 1.50%, at par with the HERC Draft MYT Regulations, 2019, whereas CERC allows 4% on Hydro. There is no justification for increase in the norms. Therefore, no further action is required.

7.11 Reg. clause no 18.1(B): Land Acquisition issues as per HERC Draft Regulation:

(B) Incidental Expenditure during Construction (IEDC):

- (1) The "controllable factors" shall include but shall not be limited to the following:
 - (a) Variations in capital expenditure on account of time and/or cost over-runs on account of land acquisition issues;

Comments filed by HPGCL:

Variations in capital expenditure on account of time and/or cost over-runs on account of land acquisition issues should be covered under "uncontrollable Factors" as in case of CERC norms 2019 instead of controllable factors.

Commission's View / decision: -

It is the conscious decision of the Commission to place land acquisition issues under controllable expenditure. Therefore, no further action is required.

7.12 Reg. clause no 20.1: RoE as per HERC Draft Regulation:

20.1 The rate of return on equity shall be decided by the Commission keeping in view the incentives and penalties and on the basis of overall performance subject to a ceiling of 14% provided that the ROE shall not be less than the net amount of incentive and penalty.

Comments filed by HPGCL:

RoE is the cost of capital and cannot be linked with the performance of the plant for which separate techno commercial parameters are already there. In the CERC Regulation also it is not linked with any performance as has been done in the draft HERC Regulation. As such RoE should be provided unconditional equivalent to the industry/ CERC norms.

Commission's View / decision: -

It is the conscious decision of the Commission to link RoE with incentives/penalties. Therefore, no further action is required.

7.13 Reg. clause no 21.2: New Loans as per HERC Draft Regulation:

21.2.i Rate of interest on new loans i.e. on or after 01.04.2020 shall be equal to the marginal cost of funds-based lending rate (MCLR) of the SBI w.r.t. 1st April of the relevant financial year. They shall however, be required to submit due justification to the Commission for the terms and conditions of the loans raised by them.

Comments filed by HPGCL:

The rate of interest for the New Loans should be the actual rate of interest as per the approved and agreed rates, terms & conditions of the loans. Linking the new loans with SBI MCLR will restrict the investment in the power sector which is against the principle of the National Tariff Policy also.

Commission's View / decision:-

The Commission has considered the objections filed by HPGCL and decides that the Regulation clause 21.2.i in the draft MYT Regulations, 2019 shall be as under:-

21.2. i Rate of interest on new loans i.e. on or after 01.04.2020 shall be equal to the marginal cost of funds-based lending rate (MCLR) of the SBI plus a maximum margin of 150 basic point, w.r.t. 1st April of the relevant financial year. They shall however, be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the Banks / Lending Institutions indicating the applicable interest rate.

7.14 Reg. clause no 22.1: Components of Working Capital as per HERC Draft Regulation:

I. Coal-based Thermal Generating Plants:

- a) Cost of coal for 1 month corresponding to the normative availability (same for pit head);
- b) Cost of secondary fuel oil for 1 month corresponding to the normative availability;
- c) Normative O&M expenses for 1 (one) month;
- d) Maintenance spares @ 10% of the O&M expenses;
- e) Receivables equivalent to fixed and variables charges for 1 (one) month for sale of electricity calculated corresponding to normative availability.

Comments filed by HPGCL:

HERC has taken into consideration CERC norms while framing the draft Regulation. However it has been felt that the same has not been followed in Toto rather conservatively. Constraints have been added in line with the CERC norms but relaxations have not been considered accordingly. HERC has reduced the norms without stating any reasons thereof. Reduced norms are insufficient for managing the working capital requirement of the HPGCL and as such needs to be reconsidered in the interest of the generator to recover its generation cost. Norms for the components of the working capital requirement needs to be reviewed and corrected as under:-

(i) Coal Stock:

No consideration has been given to the advance payment required to be given to the coal companies as per the Fuel Supply Agreement. CERC Regulation has also considered one month for the advance payments of the coal. CEA has also advised to the HPGCL generating station for maintenance of coal stock of 25 days. As such working capital on account of coal is required for maintenance of desired level of coal stock and also for making advance payment for the same. Therefore, the required level of the coal stock should be at least in line with the CERC Regulation i.e. of the 55 days (25 days stock+30 days advance).

(ii) Oil Stock:

As stated in (i) above the oil stock level should also be linked with the industry benchmark i.e. CERC Regulation norms of 2 months. Moreover there is always a dead stock in the oil tank(s) that should also be considered over and above the permissible limit of oil stock.

(iii) Maintenance Spares:

HERC has reduced the norms of maintenance spares to 50% as compared to the HERC approved norms for FY 2019-20 without stating any reason. In fact HPGCL is facing peculiar conditions as its generating plants are of different make and vintages which requires maintenance of high spares as compared to the central generating stations. The actual level of inventory holding of HPGCL is even more than the CERC norms as such HERC norms should be at least in parity of the CERC / industry norms. The parity in the norms will give an appropriate indicator for judging inter-utility performances.

(iv) Receivables:

The Commission has overlooked the provisions of the Section 43 of the draft Regulation, 2019 wherein the surcharge for the delayed payment has also been kept as after 30 days.

The receivable cycle is the period in which it is liquidated. As such receivable period is equal to the free time allowed to the beneficiary for making the monthly payment plus the average time taken in billing of the receivable. HPGCL is making the bill of sale of power on monthly basis. As such average billing time comes to 15 days. Therefore, the requisite receivable period to cover the full working capital cost of the receivable should be 45 days i.e. the free period allowed to the beneficiary for making the payment plus the average billing period.

Commission's View / decision: -

The Commission has considered the objections filed by HPGCL and observes that coal and oil stock has been reduced from 2 months to 1 month, consciously in order to enforce more operational discipline. Maintenance spares and receivables have been kept at the same level as in the HERC MYT Regulations, 2012. However, relaxations were provided for RGTPP and DCRTTP from 10% to 15% in recent generation tariff orders of the Commission, considering the transit time in the import of spare parts, as both these plants are china made. The relaxation was provided with the directives to HPGCL to locally develop the vendor for these spare parts. The Commission is of the considered opinion that no further relaxation is required in the spare parts and genuine efforts are required by HPGCL to develop the spare parts indigenously and not to rely on imported spares. Receivables shall, also remain at 1 month as appearing in the draft appearing in the draft regulations as previously discussed.

7.15 Reg. clause no 22.2: Rate of Interest as per HERC Draft Regulation:

Rate of interest on working capital shall be equal to the MCLR of the relevant financial year. For the purpose of truing up, the actual weighted average Rate of Interest will be considered on the normative working capital by the commission

Comments filed by HPGCL: -

MCLR is the marginal cost of landing rate of the bank. It is the minimum rate below which no bank can lend and is also vary from bank to bank. In Commensurate to its business, HPGCL requires large amount of funding which is not available from any single bank. Further in view of the risky exposure of the power sector, no independent bank takes the sole exposure as such HPGCL is to manage its working capital under multiple banking systems.

Appropriate margin is being added by the bank depending upon the market condition exposure limit, credit worthiness of the borrower and also the liquidity position.

No margin has been considered in the proposed regulation however CERC has considered a margin of 350 basis points on the MCLR for allowing the IWC. HERC has also kept the margin of 1.25% in the latest Order for FY 2019-20. As such margin is required to be added in the MCLR for arriving at the bank rate.

Commission's View / decision: -

The Commission has considered the objections filed by HPGCL and decides that the Regulation clause 22.2 in the draft MYT Regulations, 2019 shall be as under: -

Rate of interest on working capital shall be equal to the MCLR of the relevant financial year plus a maximum margin of 150 basic point. For the purpose of truing up, the actual weighted average rate of interest will be considered on the normative working capital allowed by the commission subject to the ceiling margin as indicated above.

7.16 Clause no (24): Foreign Exchange Rate Variation as per HERC Draft Regulation:

24.1 The generating company or the licensee, as the case may be, may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of

foreign loan acquired for the project in part or full at their discretion to safeguard their interest against extraordinary variations in the foreign exchange rates.

24.2 The generating company or the 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 no extra rupee liability corresponding to such foreign exchange rate variation shall be allowed against the hedged foreign currency debt;

24.3 To the extent the generating company or the licensee is not able to hedge the foreign exchange exposure, then to that extent, 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 generating company/licensees or their contractors.

24.4 The generating company/the licensee shall recover the cost of hedging and foreign exchange rate variations on year to year basis as income or expense in the period in which it arises.

24.5 Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period shall form part of the capital cost.

Comments filed by HPGCL: -

The clause implicitly suggests a duty on the part of generating company to hedge the risks by including the words 'not able to hedge'. Decisions to hedge or not to hedge are based purely on estimates and the generating company should not be penalized for failing to hedge.

Commission's View / decision: -

The Commission has considered the objections filed by HPGCL and observes that the provision has been kept based on the conscious decision of the Commission and no further action on the same is required.

7.17 Reg. clause no (25): Income Tax as per HERC Draft Regulation:

Income tax, if any, on the income stream of the generating company or the licensee shall not be treated as an expense or a pass-through component in the tariff and shall be payable by the generating company or the licensees on their own.

Comments filed by HPGCL: -

Income Tax is a statutory levy and is required to be pass through on actual basis. In CERC Regulation also it is a pass-through element.

Commission's View / decision: -

The Commission is of the considered view that every person/entity is obliged to pay its share of Income Tax out of its earnings. Therefore, Income Tax cannot be made a pass-through component and no further action on the same is required.

7.18 Reg. clause no 27B: Directives as per HERC Draft Regulation:

All Power utilities operating in the State of Haryana shall adhere to the following:

- 1) The financial statements along with reports of Statuary Auditors and C&AG shall be uploaded on utilities' website within 9 months of the closure of the relevant financial year.
- 2) All purchase of material and allotment of contracts exceeding Rs. 2.50 lakh in a year shall be done through e-tendering. The details of the same shall be uploaded on their website. Further, global tendering to be followed for contracts exceeding Rs. 5 Cr.
- 3) Cost-Benefit analysis shall be submitted to the Commission within 3 months of the closure of the relevant financial year indicating details of expenditure including salary and establishment cost incurred on the vigilance department and fraud detection/other activities undertaken during the financial year.

- 4) The power utilities shall not hire consultants over and above the sanctioned post of regular employees. Further, no employee shall be re-employed after retirement without the approval of Commission.
- 5) In order to promote Research & development in the State, the utilities shall depute its officials, who have more than 5 years of retirement and excellent track record, on foreign trainings. Separate accounting has to be maintained for this purpose and cost-benefit analysis to be submitted to the Commission within 3 months of the closure of the relevant financial year.
- 6) Post of Sports teams to be gradually abolished.

Comments filed by HPGCL: -

The directions incorporated by HERC under Regulation 27(B), are of administrative in nature and same should be left with the BOD of the respective utility and should not be a part of the Regulation.

Commission's View / decision: -

The Commission has considered the above and as previously discussed, the said regulation shall be deleted.

7.19 Reg. clause no (28): NAPAF as per HERC Draft Regulation:

(a) Existing Plants

Plant Name (Units)	MYT Period				
	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)
Panipat TPS (Unit 5)	20	20	20	20	20
Panipat TPS (Unit 6)	25	25	25	25	25
Panipat TPS (Unit 7)	85	85	85	85	85
Panipat TPS (Unit 8)	85	85	85	85	85
DCR TPS, Yamuna Nagar (Unit 1)	85	85	85	85	85
DCR TPS, Yamuna Nagar (Unit 2)	85	85	85	85	85
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1)	85	85	85	85	85
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 2)	85	85	85	85	85

Comments filed by HPGCL: -

Norm of the NAPAF for PTPS unit-6 needs to be reviewed and kept in accordance to the efficiency of the unit. Unit is capable to run at full load. During 2018-19 also actual average loading of the units remains more than 90%. To ensure the reliability of the power supply State owned generating station should be considered in the power availability planning of the state. It is therefore suggested that NAPAF of PTPS unit-6 should be considered as 85%.

Commission's View / decision: -

The Commission observed that actual PLF of HPGCL unit nos. – 5 & 6 in the past years, as provided at the time of determination of Annual Generation Tariff, remained as under: -

PLF (in %)	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19 (upto sept)
PTPS – 5	63.05	25.75	28.29	8.84	9.20	7.67	11.73
PTPS – 6	100.05	46.90	36.39	8.33	11.93	20.31	22.08

In view of the above, the statement of HPGCL that during 2018-19 also actual average loading of the units remains more than 90%, does not hold good. **However, taking into**

consideration of the submission of HPGCL that Panipat TPS Unit no. 5 is closing down from Oct., 2019 which may induce increased running of Panipat TPS Unit no. 6, the PLF norm have been accordingly aligned with the capability / efficiency of the machines.

7.20 Reg. clause no 28(2): AUX as per HERC Draft Regulation:

(a) Existing Plants

Plant Name (Units)	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)
Panipat TPS (Units 5 & 6)	9	9	9	9

Comments filed by HPGCL: -

Relax norms of 10% for PTPS unit-5 should be considered keeping in view actual achievement and vintage of the plant in line with HERC recent generation tariff order dt. 7.03.2019.

Commission’s View / decision: -

The Commission has taken note of the submission of HPGCL at the time of hearing that the State Government has already decided to close down Panipat TPS Unit no. 5 after Oct., 2019. Therefore, no further relaxation in the operation of the same is required.

Further, the Commission is of the view that recovery of Auxiliary consumption into fixed and variable has been dispensed with, therefore, the provision related to 0.8% extra Auxiliary Consumption for tube type coal mill is also deleted.

7.21 Reg. clause no 28(5): Operation and Maintenance Expenses as per HERC Draft Regulation:

The norms for O & M expenses (in Rs. Lac per MW) for the existing plants and the plants Commissioned on or after 1st April 2020 shall accordingly be as under:-

Plant (Unit)	MYT Period				
	2020-21	2021-22	2022-23	2023-24	2024-25
Panipat TPS (Unit 5 & 6)	30.59	31.57	32.58	33.62	34.69
Panipat TPS (Unit 7)	30.59	31.57	32.58	33.62	34.69
Panipat TPS (Unit 8)	30.59	31.57	32.58	33.62	34.69
DCR TPS, Yamuna Nagar (Unit 1)	24.22	24.99	25.79	26.62	27.47
DCR TPS, Yamuna Nagar (Unit 2)	24.22	24.99	25.79	26.62	27.47
Rajiv Gandhi TPS (Unit 1)	17.39	17.94	18.52	19.11	19.72
Rajiv Gandhi TPS (Unit 2)	17.39	17.94	18.52	19.11	19.72

Comments filed by HPGCL: -

While considering the O&M norms, the Commission has not taken into consideration the following facts:

- (i) The level of actual O&M expenses of HPGCL.
- (ii) True up claim approved by the HERC on year to year basis on account of terminal liabilities.
- (iii) Allowing of the O&M expenses exclusive of IND AS impact where as in the account statement the actual O&M exp. are with IND AS impact.
- (iv) Provisions of National tariff policy according to which norms should be achievable.

Lower norms will lead to inadequate recovery of cost of generation and accumulation of losses to the corporation. O&M expenses norms should be set as per the norms

adopted by CERC Regulation or on the basis of industry benchmarks and also actual O&M expenses of HPGCL.

It has also been observed that there occurs some typographical error while putting the O&M expenses for FY 2019-20 in the table given in draft Regulation 28(5) as under:

(Rs. Lakh/MW)

Plant	HERC Order-2019-20	MYT Regulation -2019-20	Draft	Actual audited O&M exp. 2018-19
PTPS 5&6	31.32	30.59		82.93
PTPS 7	35.94	30.59		63.90
PTPS 8	30.77	30.59		63.90
DCRTPP	26.86	24.22		46.42
RGTPP	16.64	17.39		30.15

O&M norms considered for the control period 2020-21 to 2023-24 are with escalation of 4% p.a. of the O&M expenses considered for FY 2019-20. Consequently, reduced expenditure considered in FY 2019-20 is also impacting the O&M expenses norms for the control period 2020-21 to 2023-24. As the O&M expenses given in the aforesaid table are not correct as the allowed O&M expenses exclusive of true up of terminal liability for the year are more than that. It is also pertinent to mention here that actual O&M expenses of the HPGCL are rather more than allowed one. May please refer to the audited accounts of HPGCL submitted along with the tariff petition of HPGCL. Therefore O&M norms should be correctly allowed keeping in view of the above submissions of HPGCL.

Commission's View / decision: -

The Commission has observed that while determining Annual Generation Tariff, HPGCL was directed to provide "Unit-wise profitability showing separately O&M expenses (Employee cost, R&M & A&G), depreciation, interest, others (Showing details of other items) of HPGCL plants, for the FY-2017-18". However, HPGCL submitted as under:-

"HPGCL is maintaining its financial statements in accordance with the IND AS and as per the provisions of the Indian Companies Act, 2013. Profit & Loss account of HPGCL as a whole is prepared and is a part of the audited financial statement already submitted to the Hon'ble Commission. However, details of unit-wise expenditure has already been provided as Annex -A with the Tariff Petition. Details of unit wise Revenue is also enclosed herewith as Annexure--A1".

The Commission further observed that the following details was provided by HPGCL in Annex- A of the Tariff Petition:-

Generating Station	FY 2017-18 Amount (Rs. in Crore)
PTPS 5-6	191.46
PTPS 7-8	211.22
DCRTPP – Unit 1 & 2	226.59
RGTPP – Unit 1 & 2	274.53
WYC	35.63
Total	939.43

Considering the equal distribution of expenses of a generating station over its units & escalating the audited figures of the FY 2017-18 at 4% p.a., O&M expenses from FY 2020-21 onwards have been worked out as under:-

(Rs. Lakh/MW)

Plant (Unit)	MYT Period				
	2020-21	2021-22	2022-23	2023-24	2024-25
Panipat TPS (Unit 5)	25.64	26.66	27.73	28.84	29.99

Panipat TPS (Unit 6)	25.64	26.66	27.73	28.84	29.99
Panipat TPS (Unit 7)	23.76	24.71	25.70	26.73	27.80
Panipat TPS (Unit 8)	23.76	24.71	25.70	26.73	27.80
DCR TPS, Yamuna Nagar (Unit 1)	21.24	22.09	22.97	23.89	24.85
DCR TPS, Yamuna Nagar (Unit 2)	21.24	22.09	22.97	23.89	24.85
Rajiv Gandhi TPS (Unit 1)	12.87	13.38	13.92	14.47	15.05
Rajiv Gandhi TPS (Unit 2)	12.87	13.38	13.92	14.47	15.05

7.22 Reg. clause no 30: Recovery of Fixed Cost: -As per HERC Draft Regulation:

The fixed cost of a thermal generating station shall be computed on annual basis based on the norms specified under these regulations and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station. The capacity charge shall be recovered under two segments of the year, i.e. High Demand Season (period of three months) and Low Demand Season (period of remaining nine months), and within each season in two parts viz., Capacity Charge for Peak Hours of the month and Capacity Charge for Off-Peak Hours of the month as follows: -

Capacity Charge for the Year (CCy) = Sum of Capacity Charge for three months of High Demand Season + Sum of Capacity Charge for nine months of Low Demand Season

(2) The Capacity Charge payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

Capacity Charge for the Month (CCm) = Capacity Charge for Peak Hours of the Month (CCp) + Capacity Charge for Off-Peak Hours of the Month (CCop)

Comments filed by HPGCL: -

Considering the high vintage of the HPGCL plant, existing plants may be governed with the existing mechanism of the recovery of fixed cost (Capacity Charge). The proposed capacity charge recovery mechanism may be kept for the new plants only keeping in view the followings;

1. Appropriate weightage should be given to the NAPAF i.e. higher NAPAF in the High Demand season as compared to the NAPAF in the Low Demand Season in line with the weightage considered for the recovery of Capacity charge in the peak hours and off peak hours.
2. Higher Capacity charges may be allocated for the High demand season as compared to the Low demand season on the same line as higher weightage is given for the peak hours corresponding to the off peak hours.
3. Appropriate provisions should be kept for the recovery of main components of the Capacity charge such as O&M Cost, Interest & Finance Charge and Depreciation in case of HPGCL plants remains under shutdown due to scheduled overhauling approved by the beneficiary/ HERC.

Commission's View / decision: -

The Commission has observed that the provisions have been kept at par with the provisions in the CERC Tariff Regulations, 2019. Further, the generator is allowed to recover full capacity charges under shutdown due to scheduled maintenance. Therefore, the Commission is not inclined to dispense with the same. However, this shall be retained as an option available to the Commission based on data made available in the due course during the second control period.

7.23 Reg. clause no 31: Energy Charges or Variable Charges for Thermal Power Projects:

As per HERC Draft Regulation:

- (a) The Energy charges or variable charges shall cover the main fuel cost & secondary fuel oil and shall be payable for the total energy scheduled to be supplied to a beneficiary during the calendar month on ex-power plant basis, at the specified variable charge rate, with fuel price adjustment.
- (b) The Energy charge for the month shall be worked out on the basis of ex-bus energy scheduled to be sent out from the generating plant in accordance with the following formula:
Energy charge or variable charge (Rs)
= Energy Charge Rate (Rs. / kWh) x Scheduled Energy (ex-bus) for the month (kWh)
Note: Until intra state ABT is implemented, 'scheduled energy' may be read as 'actual energy sent'.
- (c) Energy charge rate (ECR) in Rs. per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formula:
$$ECR = \frac{\{(SHR - SFC \times CVSF) \times LPPF / (CVPF + SFC \times LPSFi)\} \times 100}{(100 - AUX)}$$

Where

- AUX = Normative auxiliary energy consumption in percentage;
CVPF = Gross calorific value of primary fuel as fired, in kCal per kg or per litre as applicable;
CVSF = Gross calorific value of secondary fuel in kCal per ml;
ECR = Energy charge rate in Rs. per kWh sent out;
SHR = Normative Station Heat rate in kCal per kWh;
SFC = Normative Specific fuel oil consumption in ml per kWh;
LPPF = Weighted average landed price of primary fuel in Rs. per kg.

Comments filed by HPGCL: -

The formula given as per Regulation no. 31, Energy Charges or Variable Charges for Thermal Power Projects is not correctly incorporated. It needs to be corrected as under:

- (i) In case secondary fuel Oil cost is the part of ECR:
$$[\{(SHR - (SFC \times CVSF) \times LPPF) / CVPF\} + (SFC \times LPSF)] \times \{100 / (100 - Aux)\}$$
- (ii) In case secondary fuel Oil cost is not the part of ECR
$$\{(SHR - (SFC \times CVSF) \times LPPF) / CVPF\} \times \{100 / (100 - Aux)\}$$

Commission's View / decision: -

The Commission has considered the comments filed by HPGCL and agrees with the same. Accordingly, the clause 31.c of draft MYT Regulations shall be redrafted as under: -

- c) Energy charge rate (ECR) in Rs. per kWh on ex-power plant basis shall be determined to two decimal places in accordance with the following formula:
- (i) In case secondary fuel Oil cost is the part of ECR:
$$[\{(SHR - (SFC \times CVSF) \times LPPF) / CVPF\} + (SFC \times LPSF)] \times \{100 / (100 - Aux)\}$$
- (ii) In case secondary fuel Oil cost is not the part of ECR
$$\{(SHR - (SFC \times CVSF) \times LPPF) / CVPF\} \times \{100 / (100 - Aux)\}$$

Where

- AUX = Normative auxiliary energy consumption in percentage;

CVPF	=	Gross calorific value of primary fuel as fired, in kCal per kg or per litre as applicable;
CVSF	=	Gross calorific value of secondary fuel in kCal per ml;
ECR	=	Energy charge rate in Rs. per kWh sent out;
SHR	=	Normative Station Heat rate in kCal per kWh;
SFC	=	Normative Specific fuel oil consumption in ml per kWh;
LPPF	=	Weighted average landed price of primary fuel in Rs. per kg.
LPSF	=	Weighted average landed fuel cost of Secondary Fuel in Rs./ml during the month.

7.24 Reg. clause no 32: Landed Cost of Fuel for Thermal Power as per HERC Draft Regulation:

The landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means, for the purpose of computation of energy charge and in case of coal, shall be arrived at after considering normative transit/moisture and handling losses as percentage of the quantity of coal dispatched by the coal supply company during the month as follows:-

Non-pithead generating plants (upto 1000 KMs	:	Upto 0.8%
Non-pithead generating plants (above 1000 KMs	:	Upto 1.2%
Pit head generating plants	:	Upto 0.2%

Comments filed by HPGCL: -

The definition of Landed Fuel Cost of Primary Fuel should be elaborated for the sake of more clarity in line with the CERC Regulation 38 as under:

“38. Landed Fuel Cost of Primary Fuel: *The landed fuel cost of primary fuel for any month shall consist of base price or input price of fuel corresponding to the grade and quality of fuel and shall be inclusive of statutory charges as applicable, washery charges, transportation cost by rail or road or any other means and loading, unloading and handling charges:*

Provided that procurement of fuel at a price other than Government notified prices may be considered, if it is based on competitive bidding through transparent process;

Provided further that landed fuel cost of primary fuel shall be worked out based on the actual bill paid by the generating company including any adjustment on account of quantity and quality;

Provided also that in case of coal-fired or lignite based thermal generating station, the Gross Calorific Value shall be measured by third party sampling and the expenses towards the third-party sampling facility shall be reimbursed by the beneficiaries.”

Commission’s View / decision: -

The Commission has considered the comments filed by HPGCL and is of the opinion that there is no need to change the definition of landed cost of primary fuel.

7.25 Clause no (34): Technical minimum Schedule as per HERC Draft Regulation:

Technical Minimum Schedule for operation of Intra-State Coal based Generating Stations

1. The technical minimum for operation in respect of a unit or units of an intra-State Generating Station shall be 40% of MCR loading or installed capacity of the unit of at generating station.
2. The intra-State Generator may be directed by SLDC concerned to operate its unit(s) at or above the technical minimum but below the normative plant availability factor on account of grid security or due to the fewer schedules given by the beneficiaries.

3. Where the Generator, whose tariff is either determined or adopted by the Commission, is directed by the SLDC concerned to operate below normative plant availability factor but at or above technical minimum, the said Generator may be compensated depending on the average unit loading duly considering the forced outages, planned outages, PLF, generation at generator terminal, energy sent out ex-bus, number of start-stop, secondary fuel oil consumption and auxiliary energy consumption, in due consideration of actual and normative operating parameters of station heat rate, auxiliary energy consumption and secondary fuel oil consumption etc. on monthly basis duly supported by relevant data verified by SLDC.

Provided that:

(i) In case of coal / lignite based generating stations, following station heat rate degradation or actual heat rate, whichever is lower, shall be considered for the purpose of compensation: -

SNo	Unit loading as %age of Installed Capacity of the Unit	Increase in SHR (for supercritical units) %	Increase in SHR (for sub units) %
1	85-100	Nil	Nil
2	75 - 84.99	1.25	2.25
3	65 - 74.99	2	4
4	55 - 64.99	3	6

(ii) In case of coal / lignite based generating stations, the following Auxiliary Energy Consumption degradation or actual, whichever is lower, shall be considered for the purpose of compensation:-

Sr No.	Unit Loading (% of MCR)	% Degradation in AEC Admissible
1	85 – 100	NIL
2	75 – 84.99	0.35
3	65 – 74.99	0.65
4	55 - 64.99	1.0

(iii) Where the scheduled generation falls below the technical minimum schedule, the SLDC concerned shall have the option to go for reserve shut down and in such cases, start-up fuel cost over and above seven (7) start / stop in a year shall be considered as additional compensation based on following norms or actual, Whichever is lower:

Unit Size (MW)	Oil Consumption per start up (Kl)		
	Hot	Warm	Cold
200/210/250 MW	20	30	50
500 MW	30	50	90
660 MW	40	60	110

(iv) In case of gas based intra-State Generating Station, compensation shall be decided based on the characteristic curve provided by the manufacturer and after prudence check of the actual operating parameters of Station Heat Rate, Auxiliary Energy Consumption, etc.

(v) Compensation for the Station Heat Rate and Auxiliary Energy Consumption shall be worked out in terms of energy charges.

(vi) The compensation so computed shall be borne by the entity who has caused the plant to be operated at schedule lower than corresponding to Normative Plant Availability Factor up to technical minimum based on the compensation mechanism finalized by the SLDC.

(vii) No compensation for Heat Rate degradation and Auxiliary Energy Consumption shall be admissible if the actual Heat Rate and / or actual Auxiliary Energy Consumption are lower than the normative Station Heat Rate and / or normative Auxiliary Energy Consumption applicable to the unit or the generating station.

(viii) There shall be reconciliation of the compensation at the end of the financial year in due consideration of actual weighted average operational parameters of station heat rate, auxiliary energy consumption and secondary oil consumption.

(ix) No compensation for Heat Rate degradation and Auxiliary Energy Consumption shall be admissible if the actual Heat Rate and / or actual Auxiliary Energy Consumption are lower than the normative station Heat Rate and / or normative Auxiliary Energy Consumption applicable to the unit or the generating station in a month or after annual reconciliation at the end of the year.

4. In case of a generating station whose tariff is neither determined nor adopted by the Commission, the concerned generating company shall have to factor the above provisions in the PPAs entered into by it for sale of power in order to claim compensations for operating at the technical minimum schedule.

5. The generating company shall keep the record of the emission levels from the plant due to part load operation and submit a report for each year to the Commission by 31st May of the year.

6. SLDC shall prepare a Detailed Operating Procedure in consultation with the generators and beneficiaries within 2 months' time and submit to the Commission for approval. The Detailed Operating Procedure shall contain the role of different agencies, data requirements, procedure for taking the units under reserve shut down and the methodology for identifying the generating stations or units thereof to be backed down upto the technical minimum in specific Grid conditions such as low system demand, Regulation of Power Supply and incidence of high renewables etc., based on merit order stacking.

7. The SLDC shall work out a mechanism for compensation for station heat rate and auxiliary energy consumption for low unit loading on monthly basis in terms of energy charges and compensation for secondary fuel oil consumption over and above the norm of 0.5 ml/kWh for additional start-ups in excess of 7 start-ups, in consultation with generators and beneficiaries including its sharing by the beneficiaries.

Comments filed by HPGCL: -

Technical Minimum Schedule (40% of MCR) provided in the draft Regulation is not achievable for HPGCL power plants due to its vintages and old technologies. The recommendation of the Original Equipment Manufacturers (OEMs) in this regard has also been received and has already submitted to the Hon'ble Commission vide HPGCL Memo No. 1320/HPGC/FIN/REG-416Vol-11 dt. 26.05.2017. Running of the plant below the prescribed level of the OEMs without any oil support is not feasible and in such a state furnace becomes unstable, may result in explosion in the furnace and leading to frequent tripping & damage of Unit(s). It is also not out of place to mention here that HPGCL plant faces abnormal backing down on the instructions of the beneficiaries. Frequent backing down also leads to increase in the oil consumption and also affects the stability of the plant adversely.

Compensation provided in the regulation for meeting the additional requirement of oil due to running of the plant at low load or frequently start and stop operation on the backing down instructions of the beneficiaries is inadequate. On the other hand proposed norms for the Sp. Oil Cons. has also been drastically reduced to 50% that too recover by way of ECR.

It is also pertinent to mention here that the compensatory norms of oil for the start and stop operation are as per the CERC Regulation which are for the different capacity of the units such as 250MW, 500 MW and 660 MW, whereas HPGCL plants are of different capacity i.e. 300MW and 600 MW. As such compensatory norms are also required to be suitably relaxed for the HPGCL units.

Oil consumption per start-up operation for HPGCL may be kept as under:-

Plant	Hot start up	Warm start up	Cold start up
PTPS	20KI	30KI	50 KI
DCRTPP (300MW)	30 KI	50 KI	80 KI
RGTPP (600MW)	40KL	60KL	110KI

In view of the above Technical Minimum Schedule should be considered as already submitted by HPGCL at least for its existing plants as per the recommendations of the OEM as under:

Generating Plant	Technical Minimum Schedule (% of MCR)
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PTPS unit 5&6 (210MW)	85
PTPS Unit 7&8 (250MW)	85
DCRTPP Unit 1&2 (300 MW)	80
RGTPP Unit 1&2 (600 MW)	60

Commission's View / decision: -

During the public hearing held on 09.09.2019, the representative of HPGCL submitted before the Commission that since intra-state ABT is not yet notified in the State of Haryana, therefore, it would be tedious and impractical to implement the compensation mechanism in case the plant operates below technical minimum level. Further, the Commission observes that HPGCL have themselves submitted in the past in their generation tariff petitions regarding implementation of technical minimum criteria and compensation related thereto. Accordingly, the Commission decides to postpone the implementation of technical minimum criteria in the State of Haryana. However, the enabling provision in the Regulation shall continue for the Commission as an option and shall be implemented as and when considered feasible by the Commission except for the HPGCL's power plants of old vintage at Panipat.

7.26 Reg. clause no 37: SLDC Charges as per HERC Draft Regulation:

- (a) SLDC and Transmission charges as determined by the Commission shall be considered as a part of expenditure, if payable by the generating company;
- (b) SLDC and transmission charges paid for energy sold outside the state, if any, shall not be considered as expenses for determining generation tariff.

Comments filed by HPGCL: -

The charges related to SLDC should be allowed as pass through expenditure.

Recovery of Statutory charges: - A new regulation needs to be incorporated for recovery of other statutory charges in line with the CERC Regulation 56 as under:

The generating company shall recover the statutory charges imposed by the State and Central Government such as electricity duty, HERC tariff filing fees, water cess, other taxes and duties by considering normative parameters specified in these regulations. In case of the electricity duty is applied on the auxiliary energy consumption, such amount of electricity duty shall apply on normative auxiliary energy consumption of the generating station (excluding colony consumption) and apportioned to each of the beneficiaries in proportion to their schedule dispatch during the month.

Commission's View / Decision: -

The Commission has considered the comments of HPGCL. Accordingly, the words "pass through" shall be added in Regulation clause 37.a as under: -

- (a) SLDC and Transmission charges as determined by the Commission shall be considered as a part of expenditure, **as pass through**, if payable by the generating company;

The Commission further observes that "All statutory levies and taxes, if any, excluding taxes on income" has already been included in the fixed cost of generating plant at Regulation Clause no. 15.3. The Commission in its earlier orders for determination of generation tariff has already decided as under:-

“As all expenditure relating to petition filing fee including publication of notices etc. and any other statutory fees/regulatory fees etc. is recovered as part of the A&G expenses therefore no separate provision is required for recovery of the same. “

Thus, no further modification is required.

7.27 Reg. clause no 42: Rebate & Late payment surcharge as per HERC Draft Regulation

(42) REBATE

In case of early payment of bills of capacity and energy charges the following schedule of rebate shall be followed:

Days from the date of receipt of bills of capacity charges, energy charges etc.	Rebate %
0-7	2.0
8-14	1.0
15-21	0.5
22-30	0.25

(43) LATE PAYMENT SURCHARGE

In case the payment of any bill for charges payable under these Regulations is delayed by the beneficiary beyond a period of 30 days from the date of receipt of bill, a late payment surcharge at the rate of 0.04% per day shall be levied by the generating company and shall be payable by the beneficiaries.

Comments filed by HPGCL: -

Section 42 (Rebate for early payment) and 43 (surcharge for late payment) of the draft Regulation are for enforcing payment discipline. In the proposed Regulation the rate of rebate and surcharge is different where as it should be at par. CERC Regulation has also kept the maximum rate of rebate and surcharge at par i.e. 1.5% whereas in the draft HERC Regulation it has kept as 2% p.m. (Rebate) and 0.04% per day or say 1.20% p.m. The same needs to be reviewed and corrected.

Commission’s View / decision:-

The Commission observes that rebate is applicable on the basis of number of days in which early payments has been made, in order to maintain payment discipline and incentivize DISCOMs to make early payment to generators. The Commission has consciously kept the same and is not inclined to change it.

7.28 Reg. clause no 45: Non-Tariff Income as per HERC Draft Regulation

(a) All incomes being incidental to electricity business and derived by the generating company from sources, including but not limited to profit derived from disposal of assets, rents, miscellaneous receipts from the beneficiaries, etc. shall constitute non-tariff Income of the generating company;

(b) The amount received by the generating company on account of non-tariff income shall be deducted from the aggregate revenue requirement for calculating the net revenue requirement of such licensee:

Provided that the generating company shall submit full details of his forecast of non-tariff income to the Commission in such form as may be stipulated by the Commission from time to time;

Provided that Late Payment Surcharge and Interest on Late Payment earned by the Generating Company shall not be considered under Non-tariff Income;

(c) The “non-tariff income” shall include but shall not be limited to the following:

i. Income from rent on land or buildings or other assets;

- ii. Income from sale of land or other assets;
- iii. Income from sale of scrap;
- iv. Income from statutory investments;
- v. Income from sale of Ash/rejected coal;
- vi. Interest on advances to suppliers/contractors;
- vii. Rental from staff quarters;
- viii. Rental from contractors;
- ix. Income from hire charges from contractors and others;
- x. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- xi. Income from advertisements;
- xii. Excess found on physical verification;
- xiii. Interest on investments, fixed and call deposits and bank balances;
- xiv. Prior period income, etc.:

Comments filed by HPGCL: -

Provision of the Non- tariff income needs to be reviewed in line with the Regulation 62 of the CERC as under:

*The non-tariff net income in case of generating station and transmission system from **rent of land or buildings, sale of scrap and advertisements** shall be shared between the beneficiaries or the long-term customers and the generating company or the transmission licensee, as the case may be, in the ratio 50:50.*

Under proviso to Regulation 45(b), world holding cost should also be inserted after *Late payment surcharge and interest on late payment...*

The list of non tariff income listed at Regulation 45 (C) should also be restricted and specific and not exhaustive. No such list is given in the CERC regulation. Following income listed in the non tariff income are the income of the generating company associated with the main business and cannot be considered as non tariff income as such needs to be removed from the list:

- v. Income from sale of Ash/ Rejected coal.
- vi. Interest on advances to Suppliers/ Contractors.
- viii. Rental from the contractors.
- ix. Income from hire charges from contractors and others.
- xiii. Interest on investments, fixed and call deposits and bank balances.
- xv. Prior period income etc.

Commission's View / decision: -

The Commission observes that it had made the following observation in the Order dated 31.03.2016 (HERC/PRO-30 of 2015):-

“Generally, the generating companies should not have any non-tariff income. The non-operating income of generating company can be on account of sale of scrap, ash etc. The same should be reduced from the coal cost/O&M expenses.”

The Commission is of the considered opinion that coal cost/O&M expenses/depreciation etc. are allowed to the generators and any recovery there against should be reduced from the respective cost and only the net cost should be allowed while determining generation tariff. Accordingly, the Commission is of the opinion that no further change in the draft MYT Regulations is required.

7.29 Reg. clause no (75): Submission date of CIP & BP as per HERC Draft Regulation

Reg. clause no. 70

70. Capital Investment Plan and Business Plan Filings

The distribution licensee shall file by 1st June and the generating company and the transmission licensee by 1st September of the year preceding the first year of the control period or any other date as may be directed by the Commission, an application containing the following elements for the approval of the Commission, along with requisite fee in accordance with the provision of HERC (Fee) Regulation, 2005:

- (a) Capital Investment Plan as per details specified in Regulation 9.
 (b) Business Plan as per details specified in Regulation 10.

Reg. clause no. 75

Generating company and the licensee shall adhere to the following schedule for various activities for the first control period:

Time Schedule for various activities for the 2nd Control Period

S No	Description	Filing of document	Obtaining additional information and acceptance by the Commission	Approval of the document by the Commission
1	Capital Investment Plan (to be filed only at the beginning of Control Period)	By 1 st June by distribution licensee and by 1 st August by the generation company/transmission licensee of the year preceding the first year of the control period	Within 30 days of filing of document	Within 45 days of acceptance of the filing
2	Business Plan	By 1 st June by distribution licensee and by 1 st August by the generation company/transmission licensee of the year preceding the first year of the control period	Within 30 days of filing of document	Within 45 days of acceptance of the filing or from the date of receipt of additional information whichever is later.
3	Filing of MYT Petition (ARR and Tariff Proposal for the control period)	By 30 th November of the year preceding the first year of the control period	Within 30 days of filing of document	Within 120 days of acceptance of the filing but by 1 st of april of the 1 st year of the control period in any case
4	Mid-Year Performance Review/True-up	By 30 th November of the year preceding the first year of the control period	Within 30 days of filing of document	Within 120 days of acceptance of the filing

Comments filed by HPGCL: -

The date of submission of capital investment plan and the business plan for the control period should be extended for one year i.e. instead of 1st August of the year preceding the first year of the control period, it should be submitted by 1st August of the first year of the control period. The date should be appropriately corrected wherever referred in the Regulation such as in Reg. 70

Commission's View / decision: -

The Commission has considered the comments of HPGCL and observes that first year of the control period is FY 2020-21. Accordingly, the deadline kept in Regulation clause no. 70 and 75 has been re-worded as under: -

7.30 Reg. clause no. 70

70. Capital Investment Plan and Business Plan Filings

The distribution licensee shall file by 1st June and the generating company and the transmission licensee by **1st August of the first year** of the control period or any other date as may be directed by the Commission, an application containing the following elements for the approval of the Commission, along with requisite fee in accordance with the provision of HERC (Fee) Regulation, 2005:

(c) Capital Investment Plan as per details specified in Regulation 9.

(d) Business Plan as per details specified in Regulation 10.

Reg. clause no. 75

Generating company and the licensee shall adhere to the following schedule for various activities for the first control period:

Time Schedule for various activities for the 2nd Control Period

S No	Description	Filing of document	Obtaining additional information and acceptance by the Commission	Approval of the document by the Commission
1	Capital Investment Plan	By 1st June by distribution licensee and by 1st August by the generation company/ transmission licensee for each year of the control period	Within 30 days of filing of document	Within 45 days of acceptance of the filing
2	Business Plan (to be filed only at the beginning of Control Period)	By 1st June by distribution licensee and by 1st August by the generation company/ transmission licensee (only once during the control period)	Within 30 days of filing of document	Within 45 days of acceptance of the filing or from the date of receipt of additional information whichever is later.
3	Filing of MYT Petition (ARR and Tariff Proposal for the control period)	By 30 th November of the year preceding the first year of the relevant year of the control period.	Within 30 days of filing of document	Within 120 days of acceptance of the filing but by 1 st of april of the 1 st year of the control period in any case
4	Mid-Year Performance Review/True-up	By 30 th November of each year of the relevant year of the control period	Within 30 days of filing of document	Within 120 days of acceptance of the filing

7.31 Reg. clause no 35: Norms of Operation & Determination of Tariff for Hydro Power Plants: -

Comments filed by HPGCL: -

The proposed Regulation may please be kept the same in line with the Regulation 34 of HERC MYT, Regulation 2012 keeping in view the existing Hydro Project as well as the Hydro Project Potential in Haryana.

Commission's View / decision:-

The Commission has considered the comments of HPGCL and observes that the same have been kept mostly in consonance with the provisions of CERC Tariff Regulations, 2019. Accordingly, no further modification is required.

7.32 Comments filed by HPGCL regarding Depreciation Schedule: -

It has been observed that depreciation rate prescribed for some items are not in commensurate to the useful life of the asset such as;

Asset	Useful Life (Years)	Rate prescribed	Rate with residual value of 10% Should be

Batteries (H)	5	5.28%	18%
Self Propelled Vehicles (M)	5	9.50%	18%
AC Plant (Portables) (Nii)	5	9.50%	18%
IT equipment (R)	6	15%	16.67% being no salvage value
Apparatus let on hire (Pi)	5	9.50%	18%

Commission's View / decision: -

The Commission has considered the comments of HPGCL and observes that the same have been kept mostly in consonance with the provisions of CERC Tariff Regulations, 2019. Accordingly, no further modification in the same is warranted.

8. Uttar Haryana Bijli Vitran Nigam (UHBVN)

The intervener UHBVNL, on behalf of both the distribution Licensees, has raised the following issues for the consideration of the Commission: -

1. Regulation 1.3

As per HERC Draft Regulations: These Regulations shall come into force w.e.f. the date of publication in the Haryana Government Gazette and shall remain in force till 31st March, 2025, unless otherwise reviewed or extended. No post-facto financial impact shall be provided to any Utility arising after enforcement of these Regulations

UHBVNL has suggested that regulation 1.3 should be changed as under: -

'These Regulations shall come into force with effect from 1st April, 2020 and shall, unless otherwise directed by the Commission, remain in force upto 31st March, 2025 for the duration of second control period. No post-facto financial impact shall be provided to any Utility arising after enforcement of these Regulations'

Commission's Views/ Decision: -

The Commission has considered the above suggestion and accordingly the said regulation shall read as proposed to rule out possibility of any ambiguity.

2. Regulation 2.1

As per HERC Draft Regulations: - These Regulations shall be applicable to all existing and future Generating Companies, Transmission Licensees / SLDC and Distribution Licensees and their successors/assignees, if any, and shall apply where the Commission determines tariff: -

for supply of electricity by a generating company to a distribution licensee,

for transmission of electricity by a transmission licensee to a distribution licensee or to open access consumers and

for wheeling & retail supply of electricity by a distribution licensee under Section 62 & 64 of the Act,

in all other cases where the Commission has the jurisdiction for tariff determination.

UHBVNL has suggested that regulation 2.1 should be changed as under:

These Regulations shall be applicable to all existing and future Generating Companies, Transmission Licensees / SLDC and Distribution Licensees and their successors/assignees, if any, and shall apply where the Commission determines: -

tariff for supply of electricity by a generating company (excluding Renewable Energy Generation) to a distribution licensee under section 62 and 64 of the Act;

tariff for intrastate transmission of electricity by a transmission licensee to a distribution licensee or to open access consumers under section 62 and 64 of the Act;

State Load Dispatch Centre (SLDC) fees and charges under section 32(3) of the Act;

tariff for wheeling, distribution & retail supply of electricity by a distribution licensee under Section 62 and 64 of the Act;

tariff in all other cases where the Commission has the jurisdiction for tariff determination; and

Cross-subsidy Surcharge in addition to the charges for wheeling under the first proviso to sub-section (2) of section 42 of the Act, in accordance with the Open Access Regulations.

Additional Surcharge in addition to the charges for wheeling under sub-section (4) of section 42 of the Act, in accordance with the Open Access Regulations, to meet the fixed cost of such distribution licensee arising out of his obligation to supply

Commission's Views/ Decision: -

The Commission has considered the above suggestion and observes that the Renewable Energy generators already stand excluded from the scope of application of these regulations. Accordingly the said regulation shall read as below: -

These Regulations shall be applicable to all existing and future Generating Companies, Transmission Licensees / SLDC and Distribution Licensees and their successors/assignees, if any, and shall apply where the Commission determines: -

tariff for supply of electricity by a generating company to a distribution licensee under section 62 and 64 of the Act;

tariff for intrastate transmission of electricity by a transmission licensee to a distribution licensee or to open access consumers under section 62 and 64 of the Act;

State Load Dispatch Centre (SLDC) fees and charges under section 32(3) of the Act;

tariff for wheeling, distribution & retail supply of electricity by a distribution licensee under Section 62 and 64 of the Act;

tariff in all other cases where the Commission has the jurisdiction for tariff determination; and

Cross-subsidy Surcharge in addition to the charges for wheeling under the first proviso to sub-section (2) of section 42 of the Act, in accordance with the Open Access Regulations.

Additional Surcharge in addition to the charges for wheeling under sub-section (4) of section 42 of the Act, in accordance with the Open Access Regulations, to meet the fixed cost of such distribution licensee arising out of his obligation to supply

3. Regulation 2.2 Scope of Application

As per HERC Draft Regulations: - In case the tariff has been determined through the transparent process of competitive bidding as per Section 63 of the Electricity Act, 2003 i.e., if such tariff has been determined through transparent process of bidding in accordance with the guidelines issued by the Central Government; the Commission shall adopt such tariff in accordance with the provisions of the Act

UHBVNL has suggested that regulation 2.2 should be changed as under: -

2.2 In case the tariff has been determined through the transparent process of tariff based competitive bidding in accordance with the guidelines issued by the Central Government as per Section 63 of the Electricity Act, 2003, the Commission shall adopt such tariff in accordance with the provisions of the Act;

Commission's Views/ decision: -

The Commission has considered the above suggestion and accordingly the said regulation shall read as proposed so that the same is aligned with the Act.

4. Regulation 3.2: - “additional capitalization”

As per HERC Draft Regulations: - means the capital expenditure actually incurred or projected to be incurred after the date of commercial operation of the project and admitted by the Commission after prudence check.

UHBVNL has suggested that the words “up to the cut-off date” may be inserted after the words “date of commercial operation of the project” in the 2nd line.

Commission’s Views/ Decision: -

The Commission has considered the above suggestion and the same being in line with regulation 18.2.1 is accepted. Accordingly, regulation 3.2 shall now read as below:

Regulation 3.2: - “additional capitalization” means the capital expenditure actually incurred or projected to be incurred after the date of commercial operation of the project, up to the cut-off date, and admitted by the Commission after prudence check.

5. Regulation 3.3: - “Applicant”

As per HERC Draft Regulations: - means a generating company or a transmission licensee or a distribution licensee who has made an application for determination of tariff or an application for annual performance review in accordance with these Regulations and the Act and includes a generating company or a transmission licensee or a distribution licensee whose tariff is the subject of review by the Commission;

UHBVNL has suggested that regulation 3.3 should be changed as under:

“Applicant” means a person who has made an application for determination of tariff for generation business or transmission business or distribution business comprising wheeling business and/or retail supply business or for recovery of charges for SLDC or an application for Annual Performance Review or True-up or an application for approval of Capital Investment Plan and/or Business Plan in accordance with these Regulations and the Act or an application for determination of additional surcharge under sub-section (4) of section 42 of the Act;

Commission’s Views/ Decision: -

The Commission has considered the suggestion and is of the view that the definition of application as per the draft regulation is comprehensive and the proposed changes would only lead to repetition. However, SLDC needs to be included as part of ‘applicant’. Accordingly, regulation 3.3 shall read as under: -

“Applicant “means a generating company or a transmission licensee or a distribution licensee or SLDC who has made an application for determination of tariff / charges or an application for annual performance review / true-up in accordance with these Regulations and the Act and includes a generating company or a transmission licensee or a distribution licensee or SLDC whose tariff / charges are the subject matter of review by the Commission;

6. Regulation 3.4: -

“ARR”, as per draft regulations means Aggregate Revenue Requirement comprising of allowable Operating Expenses (OPEX), Capital Expenditure (CAPEX) and Return on Equity (RoE) for generation, transmission & SLDC and Wheeling & Retail supply of electricity by a distribution licensee

UHBVNL has suggested that regulation 3.4 should be changed in view of the fact that “ARR” is not only the sum of allowable expenses but is also net of non-tariff income and 50% (or as may be provided in the Regulations) of other Income of the generating company/licensees. Further the expenses that will be included in the ARR are given in Regulation 8.3.4 and Regulation 17. These are not required to be mentioned in the definition. And then CAPEX is not part of ARR. It is the interest on Capital loans which form part of ARR. UHBVNL has suggested that regulation 3.3 should be changed as under: -

‘3.4 “ARR” means Aggregate Revenue Requirement of a generation company for its generation business or of a transmission licensee for his transmission and/or SLDC businesses or of a distribution licensee for his Wheeling and/or distribution & Retail supply business;’

Commission’s Views/ Decision: -

The Commission has examined the suggestions that the definition as per the draft regulations is comprehensive and easy to comprehend and therefore requires no change.

7. Regulation 3.7: - “auxiliary energy consumption” or “AUXe”

UHBVNL has suggested that the regulations may replace ‘AUXe’ with ‘AUX’ or delete ‘or ‘AUXe’ as this abbreviation has not been used in the Regulations.

Commission’s Views/ Decision:-

The Commission has examined the suggestion and finds the same in order. Accordingly, the regulation 3.7 shall read as under: -

3.7 “auxiliary energy consumption” or 'AUX' in relation to a period means the quantum of energy consumed by auxiliary equipment of the generating unit / plant such as the equipment being used for the purpose of operating plant and machinery including switchyard of the generating station and transformer losses within the generating unit / plant, expressed as a percentage of the sum of gross energy generated at the generator terminals of the generating unit / all the units of the generating plant;

Provided that AUX shall not include energy consumed for supply of power to housing colony and other facilities at the generating station and the power consumed for construction works at the generating station;

8. Regulation 3.8: - “availability”, as per draft regulations,

in relation to transmission system for a given period means the time in hours during that period the transmission system is capable to transmit electricity at its rated voltage and shall be expressed in percentage of total hours in the given period and calculated as per the formula specified in Appendix - I to these Regulations;

in relation to a generating station, for a given period, it shall mean the average of the daily declared capacities as certified by the State Load Despatch Centre (SLDC) for all the days during the period expressed as a percentage of the installed capacity minus normative AUXc as provided in these Regulations.

UHBVNL has suggested that the definition should cover only the availability in relation to transmission system. For generating plants, the terms used are Plant Availability Factor and Plant Load Factor. While prescribing the operation norms for generation, norms for Annual Plant Availability Factor have been given in clause 28. The definition of Plant Load Factor has been given at clause 3.41. The definition of Plant Availability Factor should also be given before 3.41.

Commission’s Views/ Decision: -

The Commission has considered the suggestion and observes that the definition as per draft already covers the changes suggested by the licensee. Hence, no further change is required.

9. **Regulation 3.16:- “control Period”**

As per draft regulations means a multi-year tariff period fixed by the Commission from time to time. The control period shall be from 1st April 2020 to 31st March 2025.

UHBVNL has suggested that this clause should read as under: -

“**control period**” means a multi-year tariff period of five years fixed by the Commission under these Regulations which is the 2nd control period and it shall be from 1st April 2020 to 31st March 2025.

UHBVNL has further suggested that keeping in view the rapidly changing scenario in the power sector, the control period should be of three years.

Commission’s Views/ Decision: -

The Commission has considered the suggestion and observes that the definition as per draft is comprehensive and needs no changes. Further, the control period has been set for 5 years, after due deliberation, and in order to provide regulatory certainty to the power sector in the State.

10. **Regulation 3.19:- “Change in Law” as per draft regulations shall mean occurrence of the following events: -**

- i) Enactment of any new Indian law and duly entered into the Statute Book;
- ii) Adoption, amendment, modification, repeal or re-enactment of any existing Indian law;
- iii) Interpretation to Indian Law given by a Court / Tribunal of competent jurisdiction.

UHBVNL has suggested that the following proviso should be added at the end of this clause: -

“Provided that financial implication of change in law in relation to a PPA or TSA shall be as provided in the PPA or TSA”.

Commission’s Views/ Decision: -

The Commission finds the aforesaid suggestion reasonable and accepts the same. The draft shall be accordingly amended to include the suggested proviso i.e. “**Provided that financial implication of change in law in relation to a Power Purchase Agreement / Power Sale Agreement (PPA / PSA) or Transmission Service Agreement (TSA) shall be as provided in the PPA or TSA**”

11. **Regulation 3.20: - “date of commercial operation (COD)” as per draft regulation means**

(a) In relation to a generating unit, the date declared by the generating company after demonstrating the maximum continuous rating (MCR) or Installed Capacity (IC) through a successful trial run after seven days’ notice to the beneficiaries and scheduling shall commence from 00.00 Hrs. after the successful completion of trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and in vogue and / or re-enacted.

UHBVNL has suggested that (i) In the first line of para (a), it should be 'date of commercial operation declared by the generating company' instead of 'date declared by the generating company'

(ii) The provision regarding commencement of scheduling should be that 'the scheduling would commence from 00.00 Hrs of the day following the day of successful completion of trial run'

Commission's Views/ Decision: -

The Commission has considered the suggestions of the licensee and accordingly the regulation 3.20 shall read as under:

Regulation 3.20: - "date of commercial operation (COD)" means

(a) In relation to a generating unit, the 'date of Commercial Operation declared by the generating company after demonstrating the maximum continuous rating (MCR) or Installed Capacity (IC) through a successful trial run after seven days' notice to the beneficiaries and scheduling shall commence from 00.00 Hrs of the day following the day of successful completion of trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants an Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and in vogue and / or re-enacted.

12. Regulation 3.20: - "date of commercial operation (COD)" means

c) In relation to Hydro Power Plants including PSP, CoD shall be the date declared by the Generating Company after demonstrating peaking capacity corresponding to the installed capacity of the generating station through successful trail run. Scheduling shall commence from 00.00 Hrs. after completion of the trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants an Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and / or re-enacted.

UHBVNL has suggested that 'provision of seven days' notice before demonstration of peaking/installed capacity may also be included for Hydro Power Plants including PSP's also.

Commission's Views/ Decision:-

The Commission has examined the suggestion of the licensee and finds the same in order. Accordingly, sub regulation 3.20 (c) shall read as below:

c) In relation to Hydro Power Plants including PSP, CoD shall be the date declared by the Generating Company after demonstrating peaking capacity corresponding to the installed capacity of the generating station through successful trail run after seven days' notice to the beneficiaries and scheduling shall commence from 00.00 Hrs of the day following the day of successful completion of trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants an Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and / or re-enacted.

13. Regulation 3.20: - "date of commercial operation (COD)" means

d) in relation of transmission system, the date from 00.00 Hrs of charging the transmission system or part thereof to its rated voltage level or seven days after the date

on which it is declared ready for charging by the transmission licensee, but is not able to charge for reasons not attributable to the transmission licensee, its suppliers or contractors.

Provided in the case of dedicated transmission line / sub-station, the Generating Company and the Transmission Licensee shall ensure that the transmission system is commissioned well within the time frame agreed upon by them. However, in case the delay in commissioning is on account of the generating station concerned, the transmission licensee shall approach the Commission with an appropriate petition for approval of the CoD of such transmission system or transmission element as such.

UHBVNL has suggested that the following para may also be added after the proviso of para (d).

'Any charges for the transmission line/ sub-station not put in use due to reasons attributable to generating station shall be borne by the generation company until the such transmission line/ sub-station is put to use for evacuation of power of the said generating station.'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Accordingly, the proviso to the sub regulation 3.20 (d) shall read as below:

"Provided in the case of dedicated transmission line / sub-station, the Generating Company and the Transmission Licensee shall ensure that the transmission system is commissioned well within the time frame agreed upon by them. However, in case the delay in commissioning is on account of the generating station concerned, the transmission licensee shall approach the Commission with an appropriate petition for approval of the CoD of such transmission system or transmission element as such. However, any charges for the transmission line/ sub-station not put in use due to reasons attributable to generating station shall be borne by the generation company until such transmission line/ sub-station is put to use for evacuation of power of the said generating station.'

14. Regulation 3.21: - "declared capacity" or "DC" as per HERC Draft

means the capability of generating plant to deliver ex-bus electricity in MW declared by such generating plant in relation to any time-block of the day or whole of the day, duly considering the availability of fuel or water;

UHBVNL has suggested that in the last line, the words 'duly considering the availability of fuel or water' may be replaced with 'after due consideration of the availability of fuel or water'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and is of the view that the suggested change will have no impact and therefore decides to retain the draft regulation.

15. Regulation 3.25: - "Distribution wires Business" as per HERC Draft

means the business of operating and maintaining the system for wheeling of electricity in the area of supply of the distribution licensee

UHBVNL has suggested that as there is no provision of 'Distribution Wire Business' as on date in the Electricity Act, 2003, this definition may be deleted.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and is of the considered view that the proposed definition brings clarity to the regulation and therefore the same shall be retained.

16. Regulation 3.28: - “force majeure events” as per HERC Draft

means, with respect to any party, any event or circumstance which is not within the reasonable control of, or due to an act or omission of that party and which, by the exercise of reasonable care and diligence, that party is not able to prevent, including, without limiting the generality of the foregoing,

UHBVNL has suggested that the regulation may read as below:

“force majeure events” means, with respect to any party, any event or circumstance which is not within the reasonable control of, or is not due to an act or omission or commission of that party and which, by the exercise of reasonable care and diligence, that party is not able to prevent, including, without limiting the generality of the foregoing,

Commission’s Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Accordingly, the regulation 3.28 shall read as under i.e.

‘Force Majeure’ for the purpose of these regulations shall mean the events or circumstances or combination of events and circumstances including those stated below which partly or fully prevents the generating company or transmission licensee or distribution licensee to complete the project within the specified timeline in the investment approval, and only if such events or circumstances are not within the control of the generating company or transmission licensee or distribution licensee and could not have been avoided, had they taken reasonable care or complied with the prudent practices :

- a) **Act of God including lightening, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, or exceptionally adverse weather conditions which exceeds the statistical measures for the last hundred years; or**
- b) **Any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolts, riot, insurgency, terrorist or military action; or**
- c) **Industrial Strikes and labor disturbances having nationwide impact in India; or**
- d) **Delay in obtaining statutory approval for the project except where the delay is attributable to the project developer(s);**

17. Regulation 3.31: - “infirm power” as per HERC Draft

means electricity injected into the grid prior to the Scheduled COD or the date of commercial operation of a unit or block of a generating plant whichever is earlier.

UHBVNL has suggested that the words ‘the scheduled CoD or’ should be deleted as any electricity generated ‘prior to date of commercial operation’ is covered even when these words are deleted.

Commission’s Views/ Decision: -

The Commission has examined the suggestion of the licensee and is of the considered view that existing definition is comprehensive in nature and needs no change.

18. Regulation 3.41: - “plant load factor” or “PLF” as per HERC Draft

for a given period, means the total sent out energy corresponding to actual generation during the period, expressed as a percentage of sent out energy corresponding to

installed capacity in that period and shall be computed in accordance with the following formula:

$$PLF(\%) = 10000 * \sum_{i=1}^N \frac{G_i}{IC} * (100 - AUX_n)$$

Where:

IC= Installed capacity of the generating plant in MW,

G_i =Actual ex-bus Generation in MW for the i th time block of the period,

N = Number of Time Blocks during the period,

AUX_n = Normative Auxiliary Energy Consumption as a percentage of gross generation,

\sum = Summation from $i = 1$ to N ;

UHBVNL has suggested that the definition may cover both Plant as well as Unit of a Plant. Accordingly, IC may be described as under: -

IC=Installed Capacity of the generating Plant/Unit in MW,

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. The regulation 3.41 shall read as proposed i.e.

“ IC=Installed Capacity of the generating Plant/Unit in MW”.

19. Regulation 3.42: -: “project” as per HERC Draft

(a) In relation to generation business means a generating plant and includes all components of generating facility such as power generating plant and generating units of the scheme, as apportioned to power generation;

(b) In relation to transmission business means a transmission system comprising specified transmission lines, sub-stations and associated equipment.

(c) In relation to a distribution business means a distribution system comprising specified distribution lines, sub-stations and associated equipment

UHBVNL has suggested that the definition may be amended be as under: -

“Project”

(a)In case of generation business comprising thermal generating station, all components of the thermal generating station and shall include coal handling plant, pollution control system, effluent treatment plan, as may be required;

(b)In case of generation business comprising hydro generating station, all components of the hydro generating station and shall include dam, intake water conductor system, power generating station, as apportioned to power generation;

(c)In relation to the transmission business means a transmission system comprising specified transmission lines, sub-stations and associated equipment including communication system;

(d)In relation to State Load Despatch Centre means any project associated with integrated operation of power system in the State; and

(e) In relation to distribution business means a distribution system comprising specified distribution lines, sub-stations and associated equipment;

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. The regulation 3.42 i.e. definition of the “project” shall read as proposed by UHBVN i.e.

“(a)In case of generation business comprising thermal generating station, all components of the thermal generating station and shall include coal handling plant, pollution control system, effluent treatment plan, as may be required;

(b) In case of generation business comprising hydro generating station, all components of the hydro generating station and shall include dam, intake water conductor system, power generating station, as apportioned to power generation;

(c) In relation to the transmission business means a transmission system comprising specified transmission lines, sub-stations and associated equipment including communication system;

(d) In relation to State Load Dispatch Centre means any project associated with integrated operation of power system in the State; and

(e) In relation to distribution business means a distribution system comprising specified distribution lines, sub-stations and associated equipment”

20. Regulation 3.42: -: “retail supply business & retail supply licensee”

as per HERC Draft means the business of sale of electricity by a Distribution Licensee(s) to the various categories of consumers within the area of supply in accordance with the terms of the Licence for distribution and retail supply of electricity

UHBVNL has suggested that as there is no provision of ‘retail supply licensee’ in the Electricity Act. The definition should only cover ‘retail supply business’.

Commission’s Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the suggested change is also required in line with other provisions of the draft regulations. Accordingly, the regulation 3.42 shall read as under:

Regulation 3.42: -: “retail supply business” means the business of sale of electricity by a Distribution Licensee(s) to the various categories of consumers within the area of supply in accordance with the terms of the License for distribution and retail supply of electricity.

21. Regulation 3.51 a) “System Operation Functions” as per HERC Draft

includes monitoring of grid operations, supervision and control over the intra – state Transmission System, real – time operations for grid control, system restoration following grid disturbances, compiling and furnishing data pertaining to system operation, congestion management-ordination with RLDC, black start co-ordination and any other functions assigned to the SLDC by the Electricity Act, 2003 or by HERC Regulations and Orders.

UHBVNL has pointed out that in 5th line, word ‘ordination’ should be replaced with ‘co-ordination’

Commission’s Views/ Decision: -

The Commission observes that this being a typographical error needs to be corrected. Accordingly, regulation 3.51 (a) shall read as under:

System Operation Functions” includes monitoring of grid operations, supervision and control over the intra – state Transmission System, real – time operations for grid control, system restoration following grid disturbances, compiling and furnishing data pertaining to system operation, congestion management- coordination with RLDC, black start co-ordination and any other functions assigned to the SLDC by the Electricity Act, 2003 or by HERC Regulations and Orders.

22. Regulation 3.53 “transmission service agreement” or ‘TSA’ as per HERC Draft

means an agreement, contract, memorandum of understanding, or any such covenant, entered into between the transmission licensee and the long-term transmission consumer(s), as approved by the commission, for the use of transmission system

UHBVNL has suggested that the clause may read as under: -

“transmission service agreement” or ‘TSA’ means an agreement, contract, memorandum of understanding, or any such covenant, entered into between the transmission licensee and distribution licensee or the long-term open access consumer(s), as approved by the Commission, for the use of transmission system

Commission’s Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the existing definition is comprehensive and therefore needs no change.

23. Regulation 3.55 ‘unit’ as per HERC Draft

in relation to a thermal power generating plant means steam generator, turbine-generator and auxiliaries, or in relation to a combined cycle gas based thermal power generating plant, means turbine-generator, waste heat recovery plant and auxiliaries;

UHBVNL has suggested that the following lines may be added at the end of the para.

‘and in relation to a hydro generating station means turbine-generator and its auxiliaries’

Commission’s Views/ Decision:-

The Commission has considered the suggestion of the licensee and finds the same in order. Accordingly, regulation 3.55 shall read as under:

Regulation 3.55 ‘unit’ in relation to a thermal power generating plant means steam generator, turbine-generator and auxiliaries, or in relation to a combined cycle gas based thermal power generating plant, means turbine-generator, waste heat recovery plant and auxiliaries ‘and in relation to a hydro generating station means turbine-generator and its auxiliaries’;

24. Regulation 3.59 “year” as per HERC Draft

means the financial year i.e. a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;

UHBVNL has suggested that in this definition, the definition of ‘current year’, ‘previous year’, ‘ensuing year’ need also to be given as these terms are extensively used in the regulations. The definition, therefore, should be as under: -

“Year” means the financial year ending on 31st March;

(a) “Current Year” means a year in which the petition for aggregate revenue requirement or determination of tariff is to be filed;

(b) “Ensuing Year” means the year immediately following the current year; and

(c) “Previous Year” means the year immediately preceding the current year

Commission’s Views/ Decision: -

The Commission has examined the suggestion and finds the same in order. Accordingly, the definition shall read as under:

“Year” means the financial year i.e. a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;

- (a) “Current Year” means a year in which the petition for aggregate revenue requirement or determination of tariff is to be filed;
- (b) “Ensuing Year” means the year immediately following the current year; and
- (c) “Previous Year” means the year immediately preceding the current year

25. Additional definitions

UHBVNL has suggested that in addition to the above amendments, the following definitions may also be added: -

“**Generation Business**” means the business of generation of electricity from a generating station;

“**Generating Company**” means, any company involved in generation business in the State and/or any company whose tariff is determined by the Commission;

“**Generation Tariff**” means the schedule of charges for generation of electricity including the terms and conditions applicable thereof;

“**MCLR**” means One Year Marginal Cost of Funds based Lending Rate.

“**Retail Supply Tariff**” means the schedule of charges for retail supply business including the terms and conditions applicable thereto.

“**wheeling charges**” means the schedule of charges for wheeling including the terms and conditions applicable thereto

The definition of “Non-Tariff Income”, “plant availability factor” for the plant/unit and ‘state transmission utility’ may be added.

It should also be provided, here in the definitions or at other appropriate place that “**declared capacity**” shall be given unit-wise for each Plant so as to enable scheduling of power unit-wise. Further data for monthly and annual PLF as also for monthly and annual PAF shall also be made available by the generation company to the distribution licensees’ unit-wise for each of the plant so as to enable working out the extent of admissibility of fixed charges for each unit.

Commission’s Views/ Decision: -

The Commission has examined the suggestion and observes that the meaning of the terms is generally defined in the regulations or are part of Electricity Act / Rules etc. itself and accordingly the definitions are not required to be added.

26. Regulation 4.1 as per HERC Draft

4.1 The Commission, in specifying these Regulations, is guided by the provisions contained in Sections 61 and 62 of the Electricity Act, 2003 the National Electricity Policy and the National Tariff Policy notified by the Central Government under Section 3 of the Act as amended from time to time as well as the relevant Regulations notified by the Central Commission.

UHBVNL has suggested that regulation 4.1 should read as under: -

The Commission, in specifying these Regulations, is guided by the provisions contained in Sections 61 and 62 of the Electricity Act, 2003, the National Electricity Policy and the National Tariff Policy notified by the Central Government under Section 3 of the Act. For specifying Regulations for generation and transmission business, the Commission has also been guided by the principles and methodologies as specified by the Central Commission for determination of tariff for generation companies and transmission licensees in its relevant Regulations.’

Commission’s Views/ Decision:-

The Commission has examined the suggestion and observes that the existing definition is comprehensive and does not require any further elaboration.

27. Regulation 4.2

4.2 The Commission shall adopt Multi Year Tariff (MYT) framework for determination of ARR/tariff for each year of the Control Period from the FY 2020-21 i.e. 1.04.2020.

UHBVNL has suggested that Sub-clause 4.2 may read as under: -

“The Commission had adopted Multi Year Tariff (MTY) framework for determination of ARR/Tariff for each year of the first control period w.e.f. FY 2014-15. The first control period was of 3 years from FY 2014-15 to FY 2016-17 and it was subsequently extended up to FY 2019-20. The MYT framework shall continue to be adopted for determination of ARR/Tariff for each year of the second control period to commence from FY 2020-21 i.e. w.e.f. 1.04.2020 as per these MYT Regulations”

The licensee has further suggested that following clause, as provided in PSERC MYT Regulations, can be inserted as clause 4.3 after the clause 4.2. It will enable distribution licensees to negotiate for acceptance of improved norms by the generation/transmission companies in the future PPAs/TSAs. Subsequent clauses shall be renumbered accordingly.

“The norms specified under these Regulations are the ceiling norms and this shall not preclude the generating company and/or licensee or any other person, as the case may be, from agreeing to improved norms of operation. In case the improved norms are agreed to, such norms shall be applicable for determination of tariff.”

Commission’s Views/ Decision: -

The Commission has examined the suggestion and observes that the existing wording of the regulation is comprehensive and therefore requires no further elaboration. However, the suggestion regarding ceiling norms may be added as regulation 4.9 as below:

4.9 The norms specified under these Regulations are the ceiling norms and this shall not preclude the generating company and/or licensee or any other person, as the case may be, from agreeing to improved norms of operation. In case the improved norms are agreed to, such norms shall be applicable for determination of tariff.

28. 4.3 Basis of implementation of Multi Year Tariff frame work as per HERC Draft :

The implementation of MYT framework shall be based on the following: -

(a) The capital investment plan and the business plan for a period not less than the control period to be submitted by the utilities for their respective businesses along with the MYT Petition;

UHBVNL has suggested that as specified in the Regulations 70 and Regulation 75 of Draft MYT Regulations 2019, Business Plan and Capital Investment Plan for distribution licensee has to be submitted by 1st June of the year preceding to the first year of Control Period, whereas in accordance to the Regulation 4.3 (a) both Business Plan and Capital Investment Plan has to be filed along with MYT Petition i.e. 30th November of the year preceding to first year of Control Period, which is a contradiction. Both the regulations need to be amended suitably.

Furthermore, UHBVNL has brought into the notice of the Commission that filing of Business and Capital Investment Plan is a different set of exercise than the filling MYT Petition. Preparation of Business plan for Distribution Licensee requires proper due diligence, appropriate planning, load forecasting, vendor management, fund management, power purchase planning, commercial planning and other various

activities, which have long term implications on Discoms, therefore filing of Business and Capital Investment Plan cannot be intermingled with filing of MYT Petition. Thus, it is requested that suitable time line may be given to the Discoms to prepare a realistic and achievable Business Plan

Commission's Views/ Decision: -

The Commission has examined the proposal submitted by the licensee and observes that due to procedural delay in finalization of the MYT regulations for the second control period, the timelines need to be reset. The Commission accordingly amends the regulation 4.3(a) to read as below:

“(a)The Business Plan and Capital Investment Plan for a period not less than the control period to be submitted by the Utilities for their respective businesses as per the timelines given in these regulations. **The Commission, as such, is not modifying the said regulations, however, to begin with the Utilities may file the business plan by end January 2020 and first year investment plan with the respective MYT Petition for the second control period under these Regulations.**

4.3 (d) The mid-year performance review vis-a-vis the approved forecast and variations in performance of controllable and uncontrollable items:

Provided that the Generating Company and the Licensees shall submit their Accounting Statements / Segmented Accounts / Allocation Statement to support their claims / assessment including reasons of variations in various expenses, at the time of performance review / Truing-up.

UHBVNL has suggested that the Commission may consider to add ‘In respect of current year’ at the end of para (d) of sub clause 4.3. Further, after sub clause 4.3 (d) following paragraph, 4.3 (e), may be added before the proviso.

(e) True up of the previous year in respect of uncontrollable items as defined in clause 8.37(b) and of controllable items as provided in proviso to clause 4.6.

Commission's Views/ Decision: -

The Commission has examined the suggestion and observes that the existing wording of the regulation is comprehensive and therefore requires no further elaboration. Further, as the licensee has not provided any explanation for the changes sought, the Commission is unable to consider the proposed changes.

29. 4.3(e) The mechanism for pass through of approved gains or losses on account of uncontrollable items as per HERC Draft:

(e)The mechanism for sharing approved gains or losses on account of controllable items;

The licensee has submitted that the entire proviso to clause 4.3 (f) regarding application of prudence check by the Commission should be deleted and has suggested that it can at best be a part of Regulation 71.

Commission's Views/ Decision: -

The Commission has considered the suggestions of the licensee and is of the considered view that regulation 4.3 provides the basis of implementation of Multi Year Tariff framework and mechanism for pass through of approved gains or losses forms an important part. Therefore, the existing regulation is not required to be amended.

30. 4.4 and 4.5 Tariff during the control period as per HERC Draft:

4.4 The Commission shall determine the ARR for each year of the control period and tariff for the first year of the control period separately for Generation Company (ies), transmission licensee(s) / SLDC and distribution licensee(s).

4.5 The tariff applicable to each business in each of the remaining years of the control period, shall be notified by the Commission through a separate order after taking into consideration the following:

- a) Mid-year performance review;
- b) Specified performance targets;
- c) True-up of uncontrollable items as defined in Regulation 8.3.

UHBVNL has suggested that both the Clauses 4.4 and 4.5 relate to the tariff during the control period. As such these can be clubbed together under the heading 'Tariff during the control period' and reworded as under: -

The tariff applicable to each business in each of the remaining years of the control period shall be notified by the Commission through a separate order after taking into consideration the following: -

Mid-year performance review for the current year;

Specified performance targets;

True-up for the previous year in respect of uncontrollable items as defined in Regulation 8.37 (b) and of controllable items as provided in proviso to clause 4.6.'

Commission's Views/ Decision:-

The Commission has examined the suggestions of the licensee and is of the considered view that there is no reason to combine the two regulations. However, the suggested amendment with reference to proviso to regulation 4.6 may be incorporated.

Accordingly, regulation 4.5 shall read as below:-

4.5 The tariff applicable to each business in each of the remaining years of the control period shall be notified by the Commission through a separate order after taking into consideration the following:

- a) Mid-year performance review;**
- b) Specified performance targets;**
- c) True-up of uncontrollable items as defined in Regulation 8.3. and of controllable items as provided in regulation 4.6.'**

31. 4.6 There will be no true-up of the controllable items except on account of Force Majeure events as per HERC Draft or on account of variations attributable to uncontrollable items. The variations in the controllable items, as defined in Regulation 8.3, over and above the norms specified will be governed by incentive and penalty framework specified in these Regulations.

UHBVNL has suggested that various items of ARR should be categorized as controllable, normative and uncontrollable. The variations in the uncontrollable items shall be pass through, as provided in clause 4.5. Losses on account of controllable items or normative parameters will not be passed on to the consumers except on account of

force majeure events or where the Commission otherwise considers it appropriate to allow such variations on justification to be provided by the applicant. Accordingly, clause 4.6 should be reworded as under:

'4.6 There will be no true-up of the controllable items or normative parameters except on account of Force Majeure events or on account of variations attributable to uncontrollable items or where the Commission otherwise considers it appropriate to allow such variations on justification to be provided by the applicant. The variations in the controllable items and normative parameters, as defined in Regulation 8.3, over and above the norms specified will be governed by incentive and penalty framework specified in these Regulations.

Provided that the performance parameters, whose trajectories have been specified in these Regulations or as approved by the Commission in the Business Plan or the Multi Year Tariff Order, shall form the basis for projection of these performance parameters in the Aggregate Revenue Requirement for the entire Control Period.'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and is of the considered view that introduction of "normative" items in addition to "uncontrollable" may result in additional and unintended complexities in the proposed regulations and are therefore not required.

32. Regulation 5: Plant wise computation of tariff for generating company as per HERC Draft

5.3 The operational norms for each generating plant shall be specified unit-wise. Therefore, the statement of account should also include the unit-wise performance parameters for each plant.

It has been provided in the clause 5.3 of the MTY Regulations already in force and also of the draft MYT Regulations that Operational norms for each generating plant shall be specified unit wise and that the statement of account to be provided by the generation company should include unit wise performance parameters.

The intervener has suggested that the Commission may determine the tariff Plant wise but Unit wise tariff should also be computed as the Commission has been doing in tariff orders of HPGCL issued in the past years. Further, the generation companies should provide the figures of deemed PLF, actual PLF achieved and PAF for each Unit of the Plant. This is required to facilitate Unit wise scheduling by the Discoms and payment of fixed charges for each Unit corresponding to actual PLF/PAF achieved.

Regulation 5.2, 5.3 and 5.4 should be modified accordingly.

Commission's Views/ Decision: -

The Commission has considered the above and observes that norms / tariff is determined by the Commission Unit wise and accordingly the details are also provided by the generating company. **Hence, no modification, as such, is required in the MYT Regulations.**

33. 5.5 For the plants which are not covered under ABT as per HERC Draft

i.e. Western Yamuna Canal Hydro Project, Bhudkalan and Kakroi Hydro Power Plants, a single part tariff based on a normative PLF shall be determined by the Commission.

Provided the Commission may determine tariff for hydro power projects up to 25 MW separately as per the norms specified in the HERC RE Tariff Regulations in vogue.

The proviso to clause 5.5 that the Commission may determine tariff for Hydro Power Projects upto 25 MW as per norms specified in HERC RE Regulations should apply only to new Hydro Projects.

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and observes that for new hydro projects up to 25 MW is required to be determined only in accordance with the HERC RE Regulations. **Therefore, no change is required in the existing draft.**

34. 5.6 Target availability as per HERC Draft

shall be construed as target PLF till the time power plants are brought under intra-State ABT framework.

In clause 5.6, 'target availability' and 'target PLF' should be replaced with 'Normative PAF' and 'Normative PLF'

Commission's Views/ Decision: -

The Commission has considered the above suggestions and observes that till the time intra-state availability is introduced the word "target" shall be read as "normative". Hence, the said Regulation shall read as under: -

'target / normative availability' and 'target / normative PLF'

35. Regulation 6: ARR / Tariff of Transmission Business and SLDC as per HERC Draft

6.1 The transmission licensee i.e. Haryana Vidyut Prasaran Nigam (HVPN) has been notified as the State Transmission Utility by the Haryana Government as per Section 39(1) of the Act and has also been entrusted with the operation of SLDC.

Accordingly, HVPN shall submit separate ARR for its transmission business and SLDC business, as long as it remains under its control, as per provisions of these Regulations. The ARR for each business shall be based on the audited accounts of the corresponding business. After a Government company or an authority or a corporation is established or constituted for operation of SLDC by or under any State Act, as may be notified by the State Govt. as per provisions of Section 31 of the Act, the ARR for SLDC business shall be submitted by such Government company, authority or corporation, as the case may be, as per provisions of these Regulations.

UHBVNL has suggested that Clause 6.1 should read as under: -

'6.1 The transmission licensee i.e. Haryana Vidyut Prasaran Nigam (HVPN) has been notified as the State Transmission Utility by the Haryana Government as per Section 39(1) of the Act and has also been entrusted with the operation of SLDC. Accordingly, HVPN shall submit separate ARR for its transmission business and SLDC business, as long as it remains under its control, as per provisions of these Regulations.'

The HVPNL shall have separate accounts for SLDC and transmission business. Until accounts are segregated, STU shall prepare an Allocation Statement to apportion costs and revenues to respective businesses. The Allocation Statement shall be considered by the Commission only if it is certified by the Statutory Auditor/Cost Auditor and approved by the Board of Directors of the STU, and it shall be accompanied with an explanation of the methodology which shall be consistent over the Control Period.

After a Government company or an authority or a corporation is established or constituted for operation of SLDC by or under any State Act, as may be notified by the State Govt. as per provisions of Section 31 of the Act, the ARR for SLDC business shall

be submitted by such Government company, authority or corporation, as the case may be, as per provisions of these Regulations.'

Commission's Views/ Decision: -

The Commission has considered the suggestions of the licensee and finds the same in order. Accordingly, regulation 6.1 should read as proposed.

Further, in view of the concerns raised by the licensee towards furnishing of allocation statements, the Commission has considered it appropriate to amend the definition of allocation statement to read as under:

3.5 "**Allocation Statement**" means annual financial statement in respect of each of the separate businesses of the Licensees, showing the amount of revenue, costs / expenses, assets, liability, reserves and basis of provisions, if any which has been either:

- i) charged from or to each such separate business together with a description of the basis of that charge; or
- ii) determined by apportionment or allocation between the Licensed/Regulated Business and every other separate business of the Licensee/Generation Company, together with a description of the basis of the apportionment or allocation:

Provided that 'Allocation' Statement' shall not be construed as a substitute for maintaining separate accounting statement for the licensed business and other businesses of the Licensees.

Provided that the licensed business of a distribution and retail supply licensee(s) shall be segregated as Wheeling Business (wires) and Retail Supply Business.

Provided that the licensed business of a transmission licensee(s) shall be segregated as 'transmission businesses and 'State Load Despatch business.

Provided that the generation company shall segregate its accounting data Unit Wise and that such allocation statement in respect of a generating station shall be maintained in a manner so as to enable tariff determination, stage-wise, Unit-wise and/or for the whole generating station as such.

UHBVNL has further proposed that this chapter should only give the main features of MYT framework and guiding principles like e.g. Commission shall determine generation tariff plant wise, segregation of ARR of Wheeling and Retail Supply in case of Distribution Licensee, segregation of ARR of Transmission business and SLDC business, various items of ARR to be categorized as controllable, normative and uncontrollable, Licensees/Generating companies to submit Capital Investment Plant and Business Plan, provision of incentive and penalty mechanism etc. The details like what shall comprise transmission tariff to be determined by the Commission as given in clause 6.3, provisional transmission tariff as given in clause 6.4 are not required to be given in this chapter. Such details should be given in the relevant subsequent chapters.

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and is of the view that the approved draft is not required to be amended on account of rearrangement only, unless some anomaly is pointed out.

UHBVNL has additionally suggested that the provision that the Commission may also implement a transmission pricing mechanism for transmission licensee in such a way so as to align it with the Inter-State pricing mechanism is not required to be made. There are multiple users of the Inter-State Transmission System and this mechanism may be required to ensure that the users pay as nearly the cost as possible corresponding to the cost incurred by PGCIL in transmitting the power to each of the users. But in case of Inter State Transmission System there are only two distribution companies i.e. UHBVNL

and DHBVNL and one or two long term open access consumers who are the users and who share the total annual transmission cost in the ratio of their respective contracted capacities. About 99.4% of the total annual transmission cost is borne by the two distribution licensees. The pricing mechanism as prevailing presently is functioning satisfactorily and there is no need to change the same. Accordingly, the relevant provision (part of clause 6.3 at page 21), the proviso and subsequent details regarding the formulae etc. should be deleted).

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and is of the view that the provision regarding moving towards aligning the intrastate transmission tariff with the interstate transmission tariff is to provide a way forward and is intended to initiate a discussion on a more cost reflective tariff. the regulation, therefore, is not required to be amended.

36. Regulation 8: Base Line values as per HERC Draft:

8.1 The Commission shall determine baseline values for various financial and operational parameters of ARR for the control period taking into consideration the figures approved by the Commission in the past, actual average figures of last three years, audited accounts, estimate of the figures for the relevant year, Industry benchmarks/norms and other factors considered appropriate by the Commission;

UHBVNL has submitted that as per regulation 8.1, the Commission shall determine baseline values for various financial and operational parameters of ARR for the control period and projections for the Control Period shall be based on these figures. UHBVNL has suggested that there should be provision in this clause that in case subsequent audited figures differ significantly from the base line values determined by the Commission, the Commission may change the values for Base Year and consequently the trajectory of parameters for the Control Period. Clause should accordingly read as under: -

'8.1 Base Line values- The Commission shall determine baseline values for various financial and operational parameters of ARR for the control period taking into consideration the figures approved by the Commission in the past, actual average figures of last three years, audited accounts, estimate of the figures for the relevant year, Industry benchmarks/norms and other factors considered appropriate by the Commission;

Provided that the Commission may change the values for Base Year and consequently the trajectory of parameters for the Control Period, considering the actual figures from audited accounts.'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the Licensee that the regulations are drafted keeping in view the normative values. In case any relaxation is required, as anticipated by the licensee, the same shall be applicable to all normative values and not only the baseline figures and regulations have adequate provisions to deal with such a situation. Accordingly, the draft requires no change on this account.

37. 8.2 Control Period as per HERC Draft

It has been submitted that the first control period under Multi-Year Tariff framework shall be a period of five (5) years commencing from 1st April 2020.

Keeping in view that the scenario in the power sector is undergoing rapid changes, the 2nd control period should be of three years. Clause 8.2 should read as under: -

'8.2 Control Period – The second control period under Multi-Year Tariff framework shall be a period of three (3) years commencing from 1st April 2020.'

Commission's Views/ Decision: -

This issue has already been discussed and decided in the present Order.

38. 8.3 The Aggregate Revenue Requirement of the Distribution Business (wires) to be recovered through wheeling charges of the distribution licensee(s) shall comprise of the following as per HERC Draft: -

- (i) Interest on Term Loan
- (ii) Interest on normative Working Capital
- (iii) Interest on deposits from distribution system users
- (iv) Depreciation
- (v) Operation & Maintenance Expenses
- (vi) Return on average (opening + closing) Equity for the relevant year
- (vii) Provision for bad and doubtful debts as may be admitted by the Commissions subject to the ceiling of 0.5% of the account receivable as per the audited accounts of the relevant year.

Provided that the wheeling charges shall be net of i) Non-Tariff Income, ii) Income from Other Business (ARR – (Non-Tariff Income + Income from Other Business). Non-Tariff Income shall include rent from land / building, sale of scrap, investment income, delayed payment surcharge and interest thereto, interest earned on advances to suppliers / contractors, rental income from staff quarter / guest houses, income from schedule of charges, income from supervision charges for capital works, income from sale of tender documents, income from advertisements etc

UHBVNL has observed that Clause 8.3, which gives various items/components of ARR of distribution licensee for wheeling business, 8.3.1, Method of recovery of distribution charges, 8.3.2, Distribution/AT&C Losses and Clause 8.3.4 which gives various items /components of ARR of distribution licensee for retail supply business, are misplaced. These should either be part of PART III, Components of ARR and Tariff for Generation, Transmission and Distribution Business or PART VII, Principles for Determination of Tariff and Norms of Operation for Distribution Business. Similarly, Clause 8.35, Power Procurement, clause 8.3.6, Power Purchase Agreements (PPA) can also be part of PART VII and should be deleted from this chapter. Therefore, clauses 8.3 to 8.36 should be deleted and clause 8.37 may be numbered 8.3.

UHBVNL has further submitted that delayed payment surcharge should not be the part of non-tariff income, as the same is being recovered from the consumers due to non-payment of electricity bills within due time. The late payment surcharge is primarily to compensate the Discom for the extra interest cost incurred on the extra working capital necessitated to be raised on account of non-payment of bills by the due date by such consumers. So this is not an income for the Discoms but is a compensation for extra interest cost incurred. Delayed payment surcharge, therefore, should not be included in the Non-Tariff Income. Thus, in view of above the Regulation 8.3 may be appropriately amended in draft MYT Regulations.

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and observes that the suggestion is in conformity with the practice adopted by the Commission. **Accordingly, the delayed payment surcharge shall not form part of non-tariff income for determination of ARR and Tariff.**

39. Regulation 8.3.3 as per HERC Draft: -

O&M Expenses (Wires Business) shall comprise of Employees Cost, Repair & Maintenance Expenses (R&M), Administrative & General Expenses (A&G).

Provided that between Distribution (Wires) and Retail Supply Business, the employee's expenses shall be linked to wheeled energy / energy sales and number of consumers in 50:50 ratio, A&G expenses shall be linked to the number of consumers and R&M expenses to the opening Gross Fixed Assets (GFA).

Provided that approved O&M expenses for Distribution (Wires) and Retail Supply Business shall be arrived at on the basis of actual audited figures for the FY 2015-16, FY 2016-17 and FY 2017-18.

Provided further that an escalation factor of **4%** per annum shall be considered to arrive at the applicable O&M norm for the relevant financial year of the control period.

UHBVNL has suggested that estimating the O&M expenses for Control Period on the basis of actual expenses for FY 2015-16, FY 2016-17 and FY 2017-18, would not be appropriate, the same may be determined on the basis of actual expenses of the financial year preceding the base year. The audited O&M expenses for the year preceding the base year may be escalated by 4% to arrive at the expenses for the base year of MYT Control Period. Subsequently, the O&M expenses of base year need to be escalated with inflation factor to determine the expenses for the relevant years of MYT Control Period. Therefore, it is requested that the Regulations 8.3.3 may be suitably amended and may be kept in line to the provisions specified in Regulation 57.4 of the draft MYT Regulations. This clause should be, as stated earlier, need to be deleted from this place.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Consequently, the first, second and third proviso to the regulation 8.3.3 accordingly stand deleted. Further, the O&M expenses shall be segregated as per the segregated accounts/ allocation statement filed by the licensee(s).

40. Regulation 8.3.4 as per HERC Draft: -

Provided that the distribution loss trajectory shall be as agreed upon in the UDAY scheme and the same shall not be re-visited by the Commission. The Distribution licensee(s) shall submit the details of circle wise / division wise losses under its licensed area

UHBVNL has suggested that the loss trajectory specified under the UDAY Scheme was for the period of three years i.e. FY 2016-17 to FY 2018-19. Further, no schedule of loss target specified under UDAY for the period beyond FY 2018-19. Thus, in such a conjecture, the provision for aligning the distribution loss trajectory as agreed under the UDAY for the period beyond FY 2018-19 would not be justified. It may kindly be noted that the actual distribution losses for FY 2018-19 are 22.25%. It is also pertinent to point out that UHBVN has been able to reduce distribution losses from 31.49% in FY 2015-16 to 22.25% in FY 2018-19 within the span of 3 years only, which is not a mean achievement and further UHBVNL has already achieved turnaround in FY 2017-18 as well as in FY 2018-19. Now that the Commission is required to prescribe the loss trajectory for the further period of 5 years, it would not be appropriate to lose sight of the actual Distribution losses in FY 2018-19. It is submitted that as per clause 5.11 (f) of National Tariff Policy, the operating norms to be prescribed by the Commission should be relatable to past performance and capable of achievement. In this context reference is also made to P. Abraham Committee Report wherein it has been recognised that at the level of distribution losses at 20% or so it would be possible to reduce the distribution losses by 1% per year only. The relevant provision of the report relating to suggested

loss reduction target which were envisaged to be given under APDRP is reproduced below:

Extract of Abraham Committee Report.

“AT&C Loss Reduction Targets

The Task Force examined the targets set for AT & C losses reduction and after taking into consideration experience of the Utilities felt that the targets should be recast in a manner that they are realistic and achievable based on the present level of AT&C losses in each State. Accordingly, the Task Force recommends the following targets depending on their present level of AT&C losses:

Utilities having AT&C losses above 40%: Reduction by 4% per year

Utilities having AT&C losses between 30 & 40%: Reduction by 3% per year

Utilities having AT&C losses between 20 & 30%: Reduction by 2% per year

Utilities having AT&C losses below 20%: Reduction by 1% per year

In view of above the Commission's reiteration that loss trajectory agreed under UDAY will not be revisited is not justified. Giving a target of 13.14% for UH is totally unjustified and the same is outrightly unachievable. It would be impossible for the Discoms to reduce distribution losses from 22.51% in FY 2018-19 to 13.14% in FY 2020-21, that is a reduction of about 3.7% per year which is not achievable. This will lead to disallowance of over Rs 350 Crores to UHBVN in the very first year of MYT Control Period and disallowance of over Rs. 4000 Crores in Control Period to both the Discoms, thus putting them back into the debt trap. It is, therefore, submitted that T&D trajectory should be fixed keeping in view of actual distribution losses of FY 2018-19 and achievable loss reduction per year.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that though the licensee is not in agreement with the draft approved by the Commission, it has also failed to provide an alternate loss reduction trajectory. In the absence of any proposal for an alternate distribution loss target, **the Commission considers its appropriate to determine the distribution / AT&C loss trajectory in the annual tariff Order after reviewing the actual losses including feeder wise loss levels in the FY 2019-20 and beyond. Hence, the loss trajectory specified in the draft regulations shall be deleted.**

41. Regulation 8.3.7: Controllable and Uncontrollable items of ARR as per HERC

Draft:

(a) For the purpose of this Regulation, the items of ARR shall be identified as 'controllable' or 'uncontrollable'. The variation on account of uncontrollable items shall be treated as a pass-through subject to prudence check/validation and approval of the Commission;

UHBVNL has suggested that that various elements of ARR should be categorized as 'controllable', 'normative' and 'uncontrollable' instead of controllable/uncontrollable as has been done by PSERC in its MYT Regulations which have been prepared by PW&C and have been notified only recently. The elements like collection efficiency, Plant Availability Factor, Plant Load Factor, Secondary Fuel Oil Consumption (SFC), Heat Rate, Transit Loss of Coal etc. are better termed as normative than controllable but these will still remain controllable. The corresponding table given in the PSERC MYT Regulations may be referred in this regard.

Regarding categorization of various elements, UHBVNL has further submitted as under:

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- a) Energy sales including interstate sales should be categorized as uncontrollable.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the licensee has failed to provide any argument in support of the proposed change. The Commission is of the considered view that the licensee is in business of sale of power and therefore, it should strive to bring a higher degree of certainty in its projection of energy sale, being the starting point of its power procurement planning and capital expenditure and therefore its business planning. Further, the interstate sale is a natural corollary to the power procurement plan of the distribution licensee and therefore is fully controllable. The Commission therefore, fails to see any merit in the suggestion.

- b) As energy sales are uncontrollable, power purchase quantum to the extent admissible based on normative transmission and distribution losses as well as power purchase cost to that extent should also be uncontrollable. This issue has already been discussed at (a) above.
- c) Only quantum of long-term loan should be controllable, the rate of interest on long term loans should be uncontrollable. Similarly working capital requirements can be normative or controllable but rate of interest on working capital loans should be uncontrollable.

Commission’s Views/ Decision:-

The Commission has examined the suggestion of the licensee and observes that the licensee has failed to provide any argument in support of the proposed change. The Commission is of the considered view that initially the rate of interest is required to be controllable and therefore, a benchmark has been set for normative rate of interest. However, in case of some movement in the benchmark, the rate gets automatically reset. Further, as the rate of interest available to the licensee from the lending agencies is based on their financial performance, it is in nature of an inbuilt incentive/ penalty and therefore, it would not be appropriate to change the draft regulation on this account.

- d) Quality of supply is not an element of ARR, should be deleted.
- e) Instead of ‘Terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance due to inflation’ it should be ‘Terminal liabilities of employees and any other expenses on account of revision of pay scales by the Govt. or increase in dearness allowances due to inflation’.

Commission’s Views/ Decision:-

The Commission has examined the suggestion of the licensee and observes that the licensee has failed to provide any argument in support of the proposed change. The provision is currently limited to terminal liabilities and the proposed change would increase the scope and accordingly the same is not required to be incorporated.

42. Regulation 9 & 10: Capital Investment Plan and Business Plan as per HERC Draft:

9.1 The generating company and the licensees, in respect of their respective businesses, shall file for approval of the Commission a capital investment plan along with the MYT petition for a period covering at least the entire control period.

10.1 The generating company and the licensee, in respect of their respective businesses, shall file for approval of the Commission a business plan for a period covering the entire control period along with the MYT petition. The business plan shall provide the details for each year of the control period.

UHBVNL has suggested that if the provisions regarding Capital Investment Plan (CIP) and Business Plan (BP) are to be retained, then CIP and BP should be merged into one document and generating companies/licensees should be required to submit BP including CIP covering the entire control period by July end or latest by 15th August. It should be approved by the Commission by 30th September so that based on the approved BP and CIP the generating companies/licensees are able to submit ARR/Tariff Petition by 30th November.

UHBVNL has also pointed out that in clauses 9.1 and 10.1 it has been respectively provided that CIP and BP would be submitted along with MYT Petition but in clause 75 different timelines have been given (CIP and BP to be submitted by 1st June by the distribution licensee and by 1st August by the generating companies/transmission licensee of the year preceding the first year of the control period).

UHBVNL has further submitted that based on experience in the past, it is felt that no useful purpose is served by separately asking for BP. All the data/information/projections which is/are given in the BP is/are also given in the MYT Petition. In fact, BP has never been approved by the Commission in the first control period for either generation company/transmission licensee or for distribution licensees though the generation company/transmission licensee and distribution licensees had been submitting their respective BPs. It would be better if requirement of submission of BP is done away with and CIP covering the entire control period is asked to be submitted along with the MYT Petition.

UHBVNL has also submitted that the 'Cost-benefit analysis and payback period' and 'Envisaged reduction in O&M cost/losses' is not required to be included for every project/scheme covered under the CIP for example, release of new connections, augmentation of overloaded sub-stations etc. It should be provided that for the projects/schemes where 'Cost-benefit analysis and payback period' and 'Envisaged reduction in O&M cost/losses' are relevant, these will be given. Also, in the 'Purpose of investment', release of new connections/extensions and DSM works should also be included.

UHBVNL has submitted that note below clause 9.2 should be deleted.

Commission's Views/ Decision: -

The Commission has examined all the above suggestions and observes that the main document to be prepared by the licensee ought to be the business plan. It should be a vision document, giving firstly a broad outlook of the direction that the licensee proposes to take in achieving its objectives, both in short term and in long term. The Capital investment plan should be the means to achieve the business plan. Further, the 'Cost-benefit analysis and payback period' and 'Envisaged reduction in O&M cost/losses' are in the opinion of the Commission, the basic guidelines which should drive the investment plan in the direction of achieving the proposed plan. In case the proposed capital investment fails these tests, then the licensee would be required to explore other options to achieve the business objectives. The proposed draft, is therefore, meant to bring a better degree of planning and efficiency in the working and the licensees ought to try to rise to the challenge. Further, the note below regulation 9.2 relates to transmission licensee and no objection has been received from them on this account. The Commission, in view of the above discussion, decides to retain the original draft.

Note: The Capital Investment by transmission licensee(s) in network expansion shall be based on load flow studies and in accordance with the requirements of Haryana Grid Code

43. 9.8 Provided that if the actual capital expenditure incurred is more than the approved capital expenditure, the Commission shall not allow any true-up of the cost incidental to such variations

vii) 2nd Proviso below clause 9.8 should be reworded as under: -

'Provided that if the actual capital expenditure incurred is more than the approved capital expenditure, the Commission shall allow true-up of the cost incidental to such variations only if these are duly justified and explained to the satisfaction of the Commission. However, variations in actual expenditure viz-a-viz the approved expenditure against any project/scheme of CIP upto +/-10% and variation in overall actual total expenditure against CIP upto +/-5% shall be permissible'

Clause 9.10 should also be modified accordingly.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that increase in actual capital expenditure viz-a-viz the approved expenditure is already covered by regulations 9.9 and 9.10. The regulation 9.8 is necessitated by the fact that once the Commission has approved the CIP, based on information provided by the licensee, it is imperative that the licensee should adhere to the same. Further, the related costs area already poised to be recovered from the consumers. The Commission is of the considered view that in case the consumers are not getting the benefit of the additional investment, the cost also should not be recovered from them. This being the premise behind the proposed regulation 9.8, the Commission decides to retain the approved draft.

- 44. 9.14 For the purpose of first control period, as per HERC Draft, the timeline for submission of business plan by the generating company and the licensees shall be as specified in Regulation 75 of these Regulations.**

UHBVNL has submitted that in 1st line of clause 9.14, instead of 'business plan' it should be 'capital investment plan'.

The Commission has examined the suggestion of the licensee and considers the same in order. Accordingly, 1st line of regulation 9.14 shall read as under:

"For the purpose of first control period, the timeline for submission of capital investment plan by the generating company and the licensees shall be as specified in Regulation 75 of these Regulations.

UHBVNL has further submitted that Business Plan does not serve any useful purpose. Accordingly, clause 10 should be deleted and CIP shall be prepared for the control period and submitted along with the MYT Petition. Alternately, BP and CIP can be merged and a single clause may be provided specifying various requirements on the pattern of PSERC.

Commission's Views/ Decision:-

This issue has already been discussed and decided earlier in the present Order.

- 45. Regulation 11.1, as per HERC Draft: -**

The generating company and the licensee shall file an application for mid-year performance review, true-up of previous year and tariff for the ensuing year not less than 120 days before the close of each year of the control period, complete in all respects including the information in the formats prescribed **as per Annexure - III**.

UHBVNL has submitted that Annexure-III is not available with the manuscript of the draft MYT Regulations. Therefore, it is requested that the prescribed format may kindly be provided to Discoms before finalization of Draft MYT Regulation.

Commission's Views/ Decision:-

The Commission has taken note of the observation and directs the licensee to submit draft formats in this regard for discussion. The Commission further directs that till such time formats for the second control period are approved by the Commission, information may be submitted as per formats already in use including new formats as may be necessary under these Regulations.

- 46. Regulation 11.6, as per HERC Draft: -**

The Commission shall review/consider, during the control period, the application made under this Regulation as also the application for true up of the ARR of the previous year, as per provision of the Regulation 13, on the same principles as approved in the MYT order on the original application for determination of ARR and tariff. The review / true-up for FY 2018-19 shall, however, be done on the same principles as approved in the tariff order for FY 2018-19. Upon completion of such review/truing up, either approve the proposed modification with such changes as it deems appropriate, or reject the application for the reasons to be recorded in writing. The Commission shall afford

opportunity of being heard to the affected party in case it considers rejecting the application.

As specified in the Regulation 11.6 that truing up of ARR for previous year will be carried out on the same principles as approved in the original application received for determination of ARR and Tariff, it is submitted that specifying the terms and condition separately for truing up of FY 2018-19 may not be required. It is requested that either the directions for truing up of ARR for FY 2018-19 may be removed or the similar set of directions may be incorporated further in the Regulation 11.6 for truing up of ARR for FY 2019-20. Thus, in view of the above, Regulation 11.6 may be amended suitably in Draft MYT Regulations, 2019.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds merit in the same. Accordingly, provisions for true up for FY 2019-20 shall be added to regulation 11.6 along with FY 2018-19. The revised regulation 11.6 shall now read as under:-

“The Commission shall review/consider, during the control period, the application made under this Regulation as also the application for truing up of the ARR of the previous year, as per provision of the Regulation 13, on the same principles as approved in the MYT order on the original application for determination of ARR and tariff. The review / true-up for FY 2018-19 and FY 2019-20 shall, however, be done on the same principles as approved in the tariff order for FY 2018-19 and for FY 2019-20. Upon completion of such review/truing up, either approve the proposed modification with such changes as it deems appropriate, or reject the application for the reasons to be recorded in writing. The Commission shall afford opportunity of being heard to the affected party in case it considers rejecting the application.”

47. Regulation 12: Incentive and penalty framework (sharing of gains & losses), as per HERC Draft:

12.1 Various elements of the ARR of the generating company and the licensee will be subject to incentive and penalty framework as per the terms specified in this Regulation. The overall aim is to incentivize better performance and penalize poor performance, with the base level as per the norms / benchmarks specified by the Commission.

UHBVNL has submitted that this clause, as far as incentive and penalty mechanism is concerned, has not been applied during the entire control period except for allowing incentive/penalty to HVPNL for actual availability being more/less than the normative availability. It is felt, incentive/penalty mechanism part of this clause may be deleted and only sharing of gain and losses part may be retained. In earlier clauses it can be provided that variations in controllable/normative elements of ARR shall be subject to provision of sharing of gains and losses as provided in clause 12.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and is of considered view that though the observations may be correct, the licensee ought to have suggested as to how it could be incentivised for its performance. **In the absence of any such submission, the Commission is unable to make any changes in the draft on this account.**

48. Regulation 13: Truing Up, as per HERC Draft:

13.1 Truing-up of the ARR of the previous year shall be carried out along with mid-year performance review of each year of the control period only when the audited accounts in respect of the year(s) under consideration is submitted along with the application. In

case audited accounts pertaining to the year, of which truing-up is to be undertaken, are not available, the generating company or the licensee as the case may be, shall submit the provisional account duly approved by the Board of Directors of the company/licensee.

UHBVNL has suggested that the clause may be amended to read as under:-

'13, TRUING-UP

13.1 Truing-up of the ARR of the previous year shall be carried out along with mid-year performance review of each year of the control period only when the audited accounts in respect of the year(s) under consideration is submitted along with the application. In case audited accounts pertaining to the year, of which truing-up is to be undertaken, are not available, the generating company or the licensee as the case may be, shall submit the provisional account duly approved by the Board of Directors of the company/licensee.

Commission's Views/ Decision: -

As the draft and the proposed amendment are same, no consideration of the Commission is required.

13.2 Truing-up of uncontrollable items shall be carried out at the end of each year of the control period through tariff resetting for the ensuing year and for controllable items shall be done only on account of force majeure conditions and for variations attributable to uncontrollable factors.

UHBVNL has suggested that regulation 13.2. may read as under:

13.2 While Truing-up the ARR of the previous year, the variations in the uncontrollable items shall be pass through, as provided in clause 4.5. Losses on account of controllable or normative parameters will not be passed on to the consumers except on account of force majeure conditions and for variations attributable to uncontrollable factors and as provided in clause 4.6.

Commission's Views/ Decision: -

The Commission has examined the suggestion and observes that the existing wording of the regulation and comprehensive and therefore requires no further elaboration.

13.3 The Commission shall allow carrying costs for the trued-up amount (positive or negative) at the interest rates specified in these Regulations by adjusting the interest allowed on the working capital requirement for the relevant year of the control period.

Provided that no carrying cost shall be allowed on account of delay in filing for true-up due to unavailability of the audited accounts;

Provided further that if the Commission determines an over recovery during the true-up, funding cost for such trued-up amount shall be considered for the delayed period and adjusted accordingly as per provisions of this Regulation.

UHBVNL has suggested that regulation 13.3 may read as below:

13.3 The Commission shall allow carrying costs for the trued-up amount (positive or negative) at the interest rates specified in these Regulations.

Provided that no carrying cost shall be allowed on account of delay in filing for true-up due to unavailability of the audited accounts.

Upon completion of the mid-year performance review as per clause 11 and truing up, the Commission shall pass an order recording:

(a)The revised approved ARR for such financial year including approved modifications, if any;

(b)The approved aggregate gain or loss on account of controllable items and sharing of such gains or losses;

(c)Truing-up or pass through of uncontrollable items of ARR of previous year(s);

(d)Pass through of variations in controllable items due to force majeure events, if any and as provided in clause.

(e)Pass through of variations in controllable items attributable to uncontrollable factors.

(f)Tariff applicable for the ensuing year.

Commission's Views/ Decision: -

The Commission has examined the proposed change in the regulations and finds it appropriate to some extent. Accordingly, the approved draft and the proposed changes are merged in order to ensure clarity. Hence, regulation 13.3 shall now read as under: -

“13.3 The Commission shall allow carrying costs for the trued–up amount (positive or negative) at the interest rates specified in these Regulations by adjusting the interest allowed on the working capital requirement for the relevant year of the control period.

Upon completion of the mid-year performance review and truing up in accordance with these regulations, the Commission shall pass an order recording:

(a)The revised approved ARR for such financial year including approved modifications, if any;

(b)Holding cost for under/over recovered amount from the close of the relevant year and up to the middle of the ensuing year of the control period whereupon the trued-up amount has been adjusted by appropriate resetting of tariff in accordance with regulation 13.4, calculated as additional borrowing for working capital for that period.

Provided that no carrying cost shall be allowed on account of delay in filing for true-up due to unavailability of the audited accounts.

13.4 Over or under recoveries of trued-up amount in previous year(s) of the control period shall be allowed to be adjusted in the ensuing year of the control period by appropriate resetting of tariff. The unrecovered amount in the one control period shall be adjusted in the subsequent control period”.

The intervener has submitted that -

Over or under recoveries of trued-up amount in previous year(s) of the control period shall be allowed to be adjusted in the ensuing year of the control period by appropriate resetting of tariff. The unrecovered amount in the one control period shall be adjusted in the subsequent control period.

Commission's Views/ Decision: -

As the approved draft and the proposed amendment are same, no consideration of the Commission is required on the same.

49. Regulation 13.3, as per HERC Draft: -

The Commission shall allow carrying costs for the trued–up amount (positive or negative) at the interest rates specified in these Regulations by adjusting the interest allowed on the working capital requirement for the relevant year of the control period.

UHBVNL has submitted that in addition to comment provided above corresponding to Regulation 13.3, the detail procedures for working out of carrying cost on the true up amount may need to be defined suitably. The procedure for calculating carrying may be

kept in line with the directions of APTEL Order in Case No. of 211 and 215 of 2013 dated 08.04.2015. Further, the interest rate for calculating the carrying cost on the true-up amount, may also need to be allowed as per the applicable interest rate for the corresponding period. Therefore, in view of the above, it is requested that Regulation 13.3 may be appropriately modified.

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and observes that the desired change has already been addressed in the present Order.

50. Regulation 14: Review at the end of the control period, as per HERC Draft:

14.1 At the end of the first control period, the Commission shall review the achievement of objectives and implementation of the principles of MYT laid down in these Regulations.

14.2 To meet the objectives of the Act, the National Electricity Policy and National Tariff Policy, the Commission may revise the principles of MYT for the second and subsequent control periods.

14.3 The end of the first control period shall be the beginning of the second control period. The generating company and the licensee shall follow the same procedure unless specified otherwise by the Commission. The Commission shall analyse the performance with respect to the targets set out at the beginning of the control period and shall determine the base values for the next control period on the basis of actual performance achieved, expected improvement and other relevant factors.

The intervener has suggested that this clause should read as under: -

'14.1 At the end of the second control period, the Commission shall again review the achievement of objectives and implementation of the principles of MYT laid down in these Regulations.

14.2 To meet the objectives of the Act, the National Electricity Policy and National Tariff Policy, the Commission may revise the principles of MYT for the second and subsequent control periods.

14.3 The end of the second control period shall be the beginning of the next control period. The generating company and the licensee shall follow the same procedure unless specified otherwise by the Commission. The Commission shall analyse the performance with respect to the targets set out at the beginning of the second control period and shall determine the base values for the next control period on the basis of actual performance achieved, expected improvement and other relevant factors.'

Commission's Views/ Decision: -

The Commission has considered the suggestions of the licensee and finds the same in order and accordingly, the references to the relevant control period are suitably amended.

51. Regulation 15. Components of tariff for generation business, as per HERC Draft:

15.1 The tariff for sale of electricity from a thermal generating plant shall comprise of two parts, namely,

- a. Annual fixed charges (Capacity charges)
- b. Variable charges (Energy Charges)

UHBVNL has suggested that Clause 15.1 should read as under: -

“15.1 The tariff for sale of electricity from a generating plant (Thermal and Hydel other than renewable) shall be as follows:

(a) Thermal Generating Plant

The tariff for supply of electricity from a Thermal Power Generating Station shall comprise of two parts, namely, capacity charge (for recovery of the Annual Fixed Cost) and Energy Charges (for recovery of primary and secondary fuel cost).

(b) Hydel Generating Plant

The tariff for supply of electricity from a Hydro Power Generating Station shall comprise of capacity charge and energy charge to be derived in the manner specified in Regulation 35.’

15.3 The fixed cost of generating plant (thermal or hydro) shall include the following elements:

- a) Return on equity
- b) Interest and financing charges on loan capital
- c) Interest on working capital
- d) Depreciation
- e) Operation and maintenance expenses
- f) Cost of secondary fuel oil (only for thermal) [proposed to be included in VC in line with CERC]
- g) Foreign exchange rate variation, if any
- h) All statutory levies and taxes, if any, excluding taxes on income,

UHBVNL has suggested that the cost of secondary fuel oil in case of thermal Generating Station, as proposed, should be included in the variable charges (energy charges). Cost of secondary fuel oil, therefore, should be excluded in clause 15.3 which gives components of fixed cost of generating plants.

15.4 The Energy Charges (or variable charges) for a generating plant (thermal) shall comprise of only the primary fuel cost.

UHBVNL has suggested that *the Energy Charges (or variable charges) for a generating plant (thermal) shall comprise of the primary fuel cost and cost of secondary fuel oil.*’

15.5 For the hydro plants i.e. Western Yamuna Canal Hydro project, Bhudkalan and Kakroi Hydro Plants, however, a single part tariff, based on a normative PLF and fixed cost worked out as per Regulation 34 hereinafter, shall be determined by the Commission.

15.5 For the Western Yamuna Canal Hydro project, Bhudkalan and Kakroi Hydro Plants, however, a single part tariff, based on a normative PLF and fixed cost worked out as per Regulation 34 hereinafter, shall be determined by the Commission.”

Commission’s Views/ Decision: -

The Commission has examined the suggestion and observes that the existing wording of the regulation is comprehensive and therefore requires no further elaboration. Further, as the licensee has not provided any explanation for the changes sought, the Commission is unable to consider the proposed changes **except for the fact that the cost of secondary fuel shall form part of Variable / Energy Charges.**

52. Regulation 16. Components of tariff for transmission and SLDC business, as per HERC Draft:

16.1 (a) Transmission tariff or network usage charges, to reflect the cost of owning (Capital Investment), servicing and maintaining the transmission assets in order to transfer bulk power to and from different locations. The network usage charges or transmission tariff, payable by the beneficiaries of the transmission system shall be designed to recover the Aggregate Revenue Requirement of the transmission licensee approved by the Commission for each year of the control period;

UHBVNL has suggested that the Commission may consider adding the following words at the end of clause 16 (a).

'The short-term open access consumers shall pay the charges for usage of Transmission system in terms Rs per kWh as specified in third proviso of regulation 50 (b).'

Commission's Views/ Decision: -

The Commission has considered the suggestions of the licensee and finds the same in order. Accordingly, regulation 16.1(c) shall read as under: -

16.1 (c) Short-term open access consumers shall pay the charges for usage of Transmission system in terms Rs per kWh as specified in third proviso of regulation 50 (b).'

16.3 The ARR of the transmission licensee for the transmission business and SLDC business comprise of only fixed costs which shall have the following components:

UHBVNL has suggested that the opening para of clause 16.3 should read as under: -

'The ARR for the transmission business and SLDC business comprise of only fixed costs which shall have the following components.

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and finds the same in order. Accordingly, the opening para of clause 16.3 shall read as proposed.

16.4 The transmission licensee, including the STU, shall base all the above information on the segregated accounts for its transmission business and for State Load Dispatch Centre (SLDC), a copy of which shall be submitted to the Commission along with the application for tariff determination/review.

It has been submitted by the intervener herein that the Clause 16.4 should be read as under: -

'16.4 The STU, shall submit ARRs separately for transmission business and SLDC business and shall provide all the above information based on the segregated accounts for its transmission business and for State Load Dispatch Centre (SLDC), a copy of which shall be submitted to the Commission along with the application for tariff determination/review.'

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and finds the same in order. **Accordingly, the opening para of clause 16.4 shall be amended suitably.**

16.5 Connection charge- A consumer or a person seeking connectivity to the transmission system for Open Access shall pay 'connection charge' to the transmission licensee as provided in HERC (Terms and condition for grant of connectivity and open access for intra-State transmission and distribution system) Regulations, 2012 as amended from time to time. Connection charges relate to cost of assets installed solely for the use by an individual user and cost of such assets shall not be considered for determination of transmission tariff.

UHBVNL has suggested that regulation 16.5, Connection charge, is not relevant for tariff regulations and, therefore, may be deleted.

Commission's Views/ Decision: -

The Commission has considered the suggestion of the licensee and observes that no changes are required.

53. Regulation 17.2: ARR for Retail supply business /Wheeling business, as per HERC Draft:

ARR for Retail supply business (B-Income / receipts):

- a) Non – tariff income including revenue from various surcharges
- b) Income from other business in accordance with HERC Regulations, 2007 as amended from time to time.

UHBVNL has suggested that in clause 17.2:

- (i) B (a) may read “Non–tariff income as specified under regulation 67”
- (ii) may add at (f) under B - Income / receipts, “75% of wheeling charges recovered from short term open access consumers”

Commission’s Views/ Decision: -

The Commission has examined the suggestion and observes that the existing wording of the regulation is comprehensive and therefore requires no further elaboration.

On the issue of ARR for Retail Wheeling business (B-Income / receipts):

- c) Income from wheeling of electricity from open access consumers Total Income / receipts – B

UHBVNL has suggested that

- (iii) Delete (c) from Income/receipts under ARR of Wheeling business.

Commission’s Views/ Decision:-

The Commission has examined the suggestion of the licensee and finds the same in order and regulation 17.2 shall be amended accordingly.

54. Regulation 18: Capital Cost, as per HERC Draft:

The Capital cost as determined by the Commission after prudence check and subject to debt-equity ratio as per provisions of these Regulations, shall form the basis of determination of tariff for new power projects.

The Capital Cost of a new project shall include the following:

the expenditure incurred or projected to be incurred up to the date of Commercial operation of the project;

Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

Increase in cost in contract packages as approved by the Commission;

Interest during construction and incidental expenditure during construction as computed in accordance with these Regulation.....

UHBVNL has suggested as below:

Sub clause (2) may precede sub clause (1).

In sub clause (1), instead of 'Capital cost as determined by the Commission', it may be 'Capital cost as admitted by the Commission'.

In (2) (a), it may be 'the expenditure incurred or projected to be incurred on original scope of work up to SCOD or COD'.

Under clause 24.5 of Draft MYT Regulation, it is mentioned that any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period shall form part of the capital cost. Corresponding provision should also be made in sub-clause (2) of clause 18, Capital cost.

Sub clause (c) under (2) may be deleted as whether the increase in cost in contract packages is to be allowed or not is to be decided by the Commission. The Commission may or may not allow any increase in the contact packages at all. Otherwise also this is covered under the prudence check of the Capital Cost.

Commission's Views/ Decision: -

The Commission has examined the suggestions of the licensee and finds some of them in order. Accordingly, the following regulations shall read as under:-

18.(1) instead of 'Capital cost as determined by the Commission', it shall read 'Capital cost as admitted by the Commission'.

Regulation 18 (2)(g) shall be inserted to read as below:-

18(2)(g) any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period as approved by the Commission.

55. Regulation 18.1: Prudence Check of Capital Expenditure, as per HERC Draft:

Generating Company or the Transmission Licensee

Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure exceeds the actual additional capital expenditure incurred on year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term transmission customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with interest at 1.20 times of the bank rate as prevalent on 1st April of the respective year...

Distribution Licensee

Any excess tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization by more than 10% during the year, shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate at 1.20 times of the bank rate prevalent on 1st April of respective year:

Provided that any excess tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization due to reasons beyond the control of the Distribution Licensee i.e., delay in 'In-principle' approval of the schemes, road cutting permission from the concerned agencies etc., shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate equal to bank rate prevalent on 1st April of respective year.

Any shortfall in tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization by more than 10% during the year, shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate at 0.80 times of the bank rate prevalent on 1st April of respective year.

UHBVNL has submitted that the paragraphs under 18.1 with the headings 'Generating Company or the Transmission Licensee' and 'Distribution Licensee' may be deleted. The

ARR of each year of the control period is to be trued up based on the Audited account of the respective Utilities wherein capital expenditure and interest on Capital Loans shall also be trued up and any revenue gap/surplus will be carried forward along with carrying cost at the rate as may be approved by the Commission. In view of the same, the provisions as made in these paragraphs are not required. Moreover, these paragraphs nowhere relate to prudence check of capital expenditure which is sought to be covered under this clause 18.1.

Commission's Views/ Decision:-

The Commission has examined the suggestion of the licensee and observes that the impugned provisions in the regulations have been incorporated in order to ensure prudent projections in capital expenditure by the licensee. It has been observed that the licensees have been able to achieve only 50% of the proposed and approved expenditure plan on year to year basis. The non-adherence to CIP has multifold cascading impact; most important being that consumers have paid for some services which the licensee has been unable to provide. Accordingly, these provisions have been added.

UHBVNL has further submitted that the Commission may add following paragraph under 18(1): -'Provided also that in case of the existing generating plants/transmission projects/distribution business, the capital cost admitted by the Commission prior to the 01.04.2020 and additional capital expenditure projected to be incurred for respective years of the Control Period as may be admitted by the Commission, shall form the basis for determination of capital cost.'

Commission's Views/ Decision:-

The Commission observes that the above suggestion already forms part of the MYT regulation and therefore is not required to be added now.

18.1 (2) The Commission may issue new guidelines or revise the existing guidelines for vetting of capital cost of hydro-electric projects by an independent agency or an expert and in that event the capital cost as vetted by such agency or expert may be considered by the Commission while determining the tariff for the hydro generating station.

UHBVNL has suggested that regulation 18.1 (2) should be read as under: -

'(2) The Commission may get the capital cost of hydro-electric projects vetted by an independent agency or expert and in that event the capital cost as vetted by such agency or expert may be considered by the Commission while determining the tariff for the hydro generating station.'

UHBVNL has further pointed out that the 2nd and 3rd proviso of Regulations 18.1 of the existing MYT Regulations seem to have been inadvertently omitted and may need to be included.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. **Accordingly, the 2nd and 3rd proviso of Regulations 18.1 of the existing MYT Regulations shall be inserted in the approved draft. As far as vetting form independent expert is concerned noting prevents the Commission from appointing an expert / consultancy firms to assist the Commission in all or any such matters. Hence, providing for the same in these Regulations is not required.**

18.2.6 In case of de-capitalization of assets of a generating company or the transmission licensee, as the case may be, the original cost of such asset as on the date of decapitalization shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalization takes place, duly taking into consideration the year in which it was capitalized.

In clause 18.2.6, the words 'as on the date of decapitalization' in second/third line should be deleted.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the existing provision is comprehensive and needs no change.

56. Regulation 20: Return on equity, as per HERC Draft:

The rate of return on equity shall be decided by the Commission keeping in view the incentives and penalties and on the basis of overall performance subject to a ceiling of 14% provided that the ROE shall not be less than the net amount of incentive and penalty.

UHBVNL has submitted that RoE is a cost/expense component of ARR of the Distribution and retail supply business and it has to be allowed at the rate as is being generally allowed to other distribution companies by the respective SERCs. The admissibility of RoE cannot be linked to overall performance of the Utility or any other such conditions. The provision that RoE shall be decided by the Commission keeping in view the overall performance subject to a ceiling of 14% is, therefore, wrong and unjustified and needs to be set right. As per the Tariff Regulations of most of the SERCs, the RoE for the Distribution Business is allowed at 15.5 or 16 % post tax.

Accordingly, Regulation 20 should be modified to provide for RoE @ 15.5% post tax for distribution and retail supply business without any conditions.

Commission's Views/ Decision:-

The Commission has already deliberated and decided the issue in the present Order.

57. New loans ,as per HERC Draft:

Regulation 21.2 (i): -

Rate of interest on new loans i.e. on or after 01.04.2020 shall be equal to the marginal cost of funds-based lending rate (MCLR) of the SBI w.r.t. 1st April of the relevant financial year. They shall however, be required to submit due justification to the Commission for the terms and conditions of the loans raised by them.

UHBVNL has submitted that interest on the borrowings carries a significant proportion of amount in total ARR, therefore dispensation of such expenses may be done suitably in the MYT Regulations. Currently interest on loans is recovered either from interest on long term loans or by interest on working capital. Long term borrowings availed for carrying out most of the system strengthening and loss reduction works are being undertaken in Central and State Govt Schemes. Such schemes have facility to avail loan as well as grant by merely engaging the requisite amount of equity ranging from 10% to 20% of the total project value. Therefore, Discoms are inclined to take long-term borrowings from the agencies designated under the such schemes. Further, it may kindly be noted that considering the current financial condition of the Discoms, the long-term loans may not be available in the market at interest rate lower than the loan provided by the designated agencies. In most of the Govt. Schemes, REC and PFC are the designated funding agencies. Therefore, the benchmark lending rate of these funding agencies may need to be considered to determine the interest rate on term loans. Thus, in view of above, it is requested that the either benchmark interest rate of funding agencies or actual weighted average interest rate may be considered for determining the interest on long-term borrowings.

Similarly, the interest on working capital may kindly be allowed appropriately in ARR. It is requested that a suitable margin, ranging from 250 to 350 basis point may be allowed on the SBI Base Rate/MCLR (applicable on 1st April on the relevant year) for working out of interest cost on working capital. It is pertinent to mention here that even in the neighbouring states like Punjab, Rajasthan and Delhi, an appropriate margin on the SBI Base Rate/MCLR is allowed for determining the interest cost on short term borrowings. Therefore, in view of the above, Regulations 21.2 (i) and 22.2 may suitably be amended in Draft MYT Regulation, 2019.

(ii) Any variation in the interest cost on account of above or below interest rate should be subject to sharing of gains and losses instead of 'incentive and penalty framework'.

Commission's Views/ Decision:-

The Commission has already deliberated and decided the issue. No modification is required.

58. Regulation 21: Interest on loan capital, as per HERC Draft:

21.1 Existing loans (viii)

In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

Provided that the repayment for each year of the tariff period shall be deemed to be equal to the depreciation allowed for the corresponding year.

UHBVNL has suggested that in the proviso to sub clause (viii) of clause 21.1, it should be 'Control Period' instead of 'Tariff Period'.

Commission's Views/ Decision:-

The Commission has examined the suggestion of the licensee and finds the same in order and the draft shall be amended accordingly.

59. Regulation 22.1 (Component of working capital),as per HERC Draft:

II. Retail supply of electricity:

Normative O&M expenses for retail supply business for 1 (one) month;

Maintenance spares for 1 (one) month based on annual requirement considered at 1% of the GFA at the end of the previous year;

c) Uncollected revenue to be calculated as: Revenue billed for the relevant year * (1 – Normative Collection efficiency)

d) Receivables equivalent to 2 (two) months of billing less consumers' security / advance consumption deposit.

less

Amount held as security deposits in cash from retail supply consumers

One-month equivalent of cost of power purchased, including the Transmission Charges and SLDC Charges, based on the annual power procurement plan:

Provided that in case of power procurement from own Generating Stations of the Retail Supply Business, no amount shall be reduced from working capital requirement towards payables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations:

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 before sharing of gains and losses;

UHBVNL has pointed out that in clause 22.1 for components of working capital for Retail Supply of Electricity, the amount held as security deposit/ACD has been deducted twice.

UHBVNL has further suggested that one-month equivalent of cost of power purchased, including the Transmission charges and SLDC charges should not be reduced while working out admissible working capital. It may be noted that the existing MYT Regulations, UHBVNL was allowed working capital of Rs 966.53 Cr and interest cost on working capital as Rs 91.82 Cr for FY 2019-20 in the Tariff Order dated 07.03.2019. If the provision as proposed is made, the admissible normative working capital of UHBVNL for FY 2019-20 would have worked out to Rs 134 Cr (Rs 966.32 Cr – one-month power purchase cost i.e. Rs 832 Cr.) only and the interest cost would have been allowed as Rs 12.73 Cr only. This provision is, therefore, quite damaging for the Discoms and would severely impact their cash flows and should therefore be reviewed.

UHBVNL has further submitted that maintenance of spares as per MYT Regulations of most of the SERCs are allowed at 10% or 15% of the O&M Cost instead of 'Maintenance spares for one month based on annual requirement considered at 1% of the GFA'. PSERC in its MYT Regulations which have been recently notified, maintenance spares are allowed at 15% of the O&M Expenses. It is submitted that in line with the PSERC Regulations, Maintenance spares for one month at 15% of the O&M cost be allowed for working capital.

Regarding rate of interest, UHBVNL has submitted that the Commission may determine the same as equal to 1-year MCLR of the relevant financial year plus 300-350 basis point as already stated.

Commission's Views/ Decision:-

The Commission has examined the suggestions of the licensee and observes that the ACD/ security has been reduced twice and therefore needs correction. Further, in view of the financial constraints brought out by the intervener / licensee, the Commission, after due deliberations tends to accept the contentions that reduction of power purchase cost from the calculation of normative working capital requirement shall pose problems in managing day to day cash flow requirements. Hence, the Commission decides that the allowed power purchase cost for the relevant year shall not be reduced from the working capital estimation. Other issues raised herein including rate of interest has already been deliberated and decided by the Commission in the present Order.

60. Regulation 22.2, as per HERC Draft: -

Rate of interest on working capital shall be equal to the MCLR of the relevant financial year.

For the purpose of truing up, the actual weighted average Rate of Interest will be considered on the normative working capital by the commission.

UHBVNL has submitted that Regulation 22.2 may be amended as already submitted and an appropriate margin may be allowed on SBI MCLR Rate for the purpose of estimating interest on working capital cost in relevant year. It may be noted that even the Regulatory Commission of States like Punjab, Rajasthan and Gujarat has allowed margin of 250 to 350 Basis Points on the SBI Base Rate/SBI MCLR. Hence, in view of the above submission the Regulation 22.2 may kindly be amended appropriately.

Commission's Views/ Decision:-

This issue has already been deliberated and decided by the Commission in the present Order.

61. Regulation 23: Depreciation, as per HERC Draft:

The depreciation rates given in Appendix-II will be applicable w.e.f. 1.04.2020 only. The depreciation, in case of existing assets, up to 31.03.2020 shall be considered as already allowed and shall not be re – visited. The depreciation rates as per Appendix-II for such assets shall be applicable w.e.f 1.04.2020 up to 12th year from the date of COD.

Provided that the rate provided in Appendix II, are the upper ceiling of the rate of depreciation to be provided up to 12th year from the date of COD and the developer shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling.

UHBVNL has suggested that 2nd Paragraph of Clause 23 (C) may read as under:

'The depreciation rates given in Appendix-II were made applicable w.e.f. 1.04.2013. The depreciation, in case of existing assets commissioned up to 31.03.2013 shall be considered as already allowed and shall not be revisited as was provided in the HERC MYT Regulations, 2012. The depreciation rates as per Appendix-II for such assets shall be applicable w.e.f 1.04.2013 up to 12th year from the date of COD. For the existing assets commissioned between 01.04.2013 to 31.03.2020 and new assets to be commissioned after 31.03.2020, the depreciation rates as per Appendix-II shall be applicable w.e.f the date of COD up to 12th year from the date of COD.'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that, as previously deliberated and decided no change in the MYT Regulation is required on this issue.

Regulation 25 Income Tax, as per HERC Draft: -

Income tax, if any, on the income stream of the generating company or the licensee shall not be treated as an expense or a pass-through component in the tariff and shall be payable by the generating company or the licensees on their own.

UHBVNL has submitted that Income tax payment is a mandatory compliance under the statute. Such an expense is unavoidable and therefore cannot disallowed from being recovered through the tariff. Various SERCs have permitted Income Tax as pass through component in the tariff and accordingly have made suitable provisioning in the MYT Regulations. Neighbouring States like Punjab and Rajasthan has allowed Income tax either paid on RoE or actual, whichever is less, as a pass-through component in tariff. Whereas, Delhi has allowed RoE on Pre-tax basis which is utilised to adjust the amount of Income Tax paid by the utilities. Furthermore, Gujarat has allowed the actual amount of Income Tax paid by the utilities as a pass-through item in tariff. Thus, in view of the above, it is requested that Regulation 25 may appropriately amended, and the Income Tax may be allowed to be recovered through the tariff.

Commission's Views/ Decision:-

The Commission has examined the suggestion of the licensee and is of the considered view that income tax is a charge on income and appropriately ought to be borne by the person earning the income. The draft, accordingly, needs no change on this account.

62. Prior Period Expenses, as per HERC Draft: -

Regulation 27 B

All Power utilities operating in the State of Haryana shall adhere to the following:

1. The financial statements along with reports of Statuary Auditors and C&AG shall be uploaded on utilities' website within 9 months of the closure of the relevant financial year.

2. All purchase of material and allotment of contracts exceeding Rs. 2.50 lakh in a year shall be done through e-tendering. The details of the same shall be uploaded on their website. Further, global tendering to be followed for contracts exceeding Rs. 5 Cr

3. Cost-Benefit analysis shall be submitted to the Commission within 3 months of the closure of the relevant financial year indicating details of expenditure including salary and establishment cost incurred on the vigilance department and fraud detection/other activities undertaken during the financial year.

4. The power utilities shall not hire consultants over and above the sanctioned post of regular employees. Further, no employee shall be re-employed after retirement without the approval of Commission.

5. In order to promote Research & development in the State, the utilities shall depute its officials, who have more than 5 years of retirement and excellent track record, on foreign trainings. Separate accounting has to be maintained for this purpose and cost-benefit analysis to be submitted to the Commission within 3 months of the closure of the relevant financial year.

6. Post of Sports teams to be gradually abolished.

The intervener has submitted that all the directions given under this clause except at Sr. No. 1 are concerning issues which do not come under the purview of the Commission. These are micro management issues and should be better left to be dealt with by the BODs of the respective Utilities. The Hon'ble Commission can allow or disallow a cost but cannot intervene in the day to day handling of various administrative matters or in micromanagement of the Power Utilities. Moreover, these directions no where relate to Prior Period Expenses.

Commission's Views/ Decision: -

The Commission agrees with the above submissions. Hence, the ibid clause shall stand deleted.

63. Regulation 28.1: Normative Annual Plant Availability Factor (NAPAF), as per HERC Draft:

Regulation 28.1: Normative Annual Plant Availability Factor (NAPAF)

Plant Name (Units)	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24(%)
Panipat TPS (Unit 5)	20	20	20	20	20
Panipat TPS (Unit 6)	25	25	25	25	25
Panipat TPS (Unit 7)	85	85	85	85	85
Panipat TPS (Unit 8)	85	85	85	85	85
DCR TPS, Yamuna Nagar (Unit 1)	85	85	85	85	85
DCR TPS, Yamuna Nagar (Unit 2)	85	85	85	85	85
Rajiv Gandhi TPS,	85	85	85	85	85

Khedar (Hisar) (Unit 1)					
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It has been submitted by the intervener that NAPAF for all the existing thermal plant should be 85%. In case of PTPS Units 5 & 6, NAPAF has been specified as 20% and 25% respectively which is wrong and in contradiction to the prevailing industry standards. NAPAF, it may be noted is average of daily declared capacity (DCs) i.e. available capacity for all the days of the year expressed as percentage of the installed capacity. If the availability of a plant during the month has been, say, 85%, then even if power from plant may have been scheduled only to the extent of say 20 to 25% keeping in view the requirements and merit order dispatch, PAF of the plant for that month remains at 85%. Therefore, irrespective of that power from Unit 5& 6 is scheduled to the extent of 20%/25% only, their NAPAF should be 85% or above as per the norms applicable to the plants of the similar capacity for claiming full annual fixed charges. With this provision, HPGCL shall recover full fixed charges for Panipat TPS Unit 5 and 6 even if the actual availability of the Units on annual basis reduces to as low as 20% / 25% because of deficiencies in Mtc.

Further under clause 30 (6), it has been provided that incentive shall be payable @ 65 paisa /kWh for ex bus scheduled energy during peak hours and @50 paisa /kWh for ex-bus energy scheduled during off peak hours corresponding to the scheduled generation in excess of ex-bus energy corresponding to the Normative Annual Plant Load Factor (NAPLF) achieved on a cumulative basis. It implies that in case of PTPS Units 5 & 6, HPGCL would be eligible for incentive for ex-bus scheduled energy over and above that corresponding to 20%/25% NAPAF which seems inappropriate.

Therefore, it is submitted that NAPAF for PTPS Unit 5 & 6 should be 85% in line with CERC Norms for same capacity power plants.

Commission’s Views/ Decision: -

This issue has already been deliberated and decided by the Commission in the present Order.

64. Regulation 28 (2): Auxiliary Energy Consumption, as per HERC Draft:

Plant Name (Units)	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)
Panipat TPS (Units 5& 6)	9	9	9	9	9
Panipat TPS (Units 7 & 8)	8.50	8.50	8.50	8.50	8.50
DCR TPS, Yamuna Nagar (Units 1&2)	8.50	8.50	8.50	8.50	8.50
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1&2)	6	6	6	6	6

Provided that for thermal generating stations where tube type coal mill is used, the Auxiliary Energy Consumption norms shall be further increased by 0.8%.

As per Section 62 of the Act as also mentioned under Regulation 4 of the draft Regulations, the Commission in specifying these Regulations has been guided by the relevant Regulations of the CERC. Therefore, while specifying norms for generation plants, the Commission should have been guided by the corresponding provisions in the CERC Regulations wherein the provision for auxiliary consumption for thermal power plants is as under:

Sr. No.	Generating System	With Natural Draft Cooling tower or without cooling tower
(i)	200 MW Series	8.50%
(ii)	300 MW and above	
	Steam driven boiler feed pumps	5.75%
	Electrically driven boiler feed pumps	8.00%

Accordingly, in view of above the auxiliary consumption of PTPS Units 5&6 should be 8.5% and of DCRTPS 8%.

Regarding proviso to clause 28, where in it is being provided that recovery of auxiliary consumption shall be in two parts fixed and variable, it is submitted that existing practice of considering normative auxiliary consumption while working out energy /variable charges should be continued. There is no such provision in the CERC Regulations. In case, for any Plant, due to excessive backing down etc., the auxiliary consumption comes to be more than normative, then the same can be considered by the Commission provided the generation company can give due justification for the same and that it is as per the industry standards.

Commission's Views/ Decision: -

The issues raised pertaining to the norms have already been deliberated and decided by the Commission in the present Order. Further, the benchmark norms have been fixed by the Commission based on past experience since the generation was brought under regulatory purview by the Electricity Act, 2003.

65. Regulation 28 (5), as per HERC Draft:-

Operation and maintenance expenses:

The norms for O & M expenses (in Rs. Lac per MW) for the existing plants and the plants Commissioned on or after 1st April 2020 shall accordingly be as under:

Plant Name (Units)	2019-20 (%)	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)
Panipat TPS (Units 5 & 6)	30.59	31.57	32.58	33.62	34.69
Panipat TPS (Units 7 & 8)	30.59	31.57	32.58	33.62	34.69
DCR TPS, Yamuna Nagar (Units 1&2)	24.22	24.99	25.79	26.62	27.47
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1&2)	17.39	17.94	18.52	19.11	19.72

UHBVN, the intervener, has submitted as under: -

(i) it is submitted that no basis for the prescribed norms for O&M Expenses in Rs Lac per MW for various existing and new plants have been given. In HERC MYT Regulations 2012, the Normative O&M expenses per MW for various Thermal Power Plants were worked out based on actual audited O&M expenses for FY 2011-12 for respective Power Plants with an escalation factor of 4% per annum. As the audited expenses for FY 2018-

19 are now available; the same subject to prudence check should form the basis for prescribing per MW O&M expenses for existing and new Power Plants.

(ii) Table for new Power Plants is also missing.

Commission's Views/ Decision: -

This issue has already been deliberated and decided by the Commission in the present Order.

66. Regulation 30: Recovery of annual fixed charges (capacity) charges for thermal power projects (amended), as per HERC Draft:

- (i) It may be noted that intrastate ABT is yet to be implemented in the state. So accordingly, as on date, recovery of monthly/annual fixed charges for thermal power plants of HPGCL is being done on the basis of monthly /annual PLF and not PAF in line with the note below Regulation 30 of the existing MYT Regulations, 2012 which is reproduced below:
- (ii) *Note: Until Intra – State ABT is implemented, Plant Availability Factor (PAF), wherever mentioned, shall mean Plant Load Factor (PLF). For working out annual PLF for the purpose of recovery of annual fixed charges, deemed generation on account of backing down on the instructions of SLDC or on the request of Discoms shall be included.*
- (iii) In case of plant which are backdown on the instructions of SLDC, deemed PLF is worked after considering deemed generation on account of backing down. In such a scenario and until intrastate ABT is implemented, the proposed methodology for recovery of capacity charges of thermal power station may not be workable. It is however in interest of Discoms.
- (iii) Note as given above need also to be appended under Regulation 30
- (iv) Incentive @ 65 Paise is very high, firstly the incentive should be restricted to 20-25 Paise and it should be admissible for actual generation if any above the generation corresponding to normative PLF.
- (v) Last proviso 'Provided that if HPGCL stations are backed down....' should be deleted. In view of the Note as above to be given below this clause, this provision is not required.

Commission's Views/ Decision: -

The above provisions have been incorporated after due deliberation and accordingly, no further change is required.

67. Regulation 31: Energy Charges or Variable Charges for Thermal Power Projects (Amended),as per HERC Draft:

Energy charge rate (ECR) in Rs. per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formula:-

$$ECR = \frac{\{(SHR - SFC \times CVSF) \times LPPF / (CVPF + SFC \times LPSFi) \times 100}{(100 - AUX)}$$

Where

- AUX = Normative auxiliary energy consumption in percentage;
 CVPF = Gross calorific value of primary fuel as fired, in kCal per kg or per litre as applicable;
 CVSF = Gross calorific value of secondary fuel in kCal per ml;
 ECR = Energy charge rate in Rs. per kWh sent out;
 SHR = Normative Station Heat rate in kCal per kWh;
 SFC = Normative Specific fuel oil consumption in ml per kWh;
 LPPF = Weighted average landed price of primary fuel in Rs. per kg.

There is error in the formula. The same need to be amended as under:-

$$ECR = \left[\frac{\{(SHR - SFC \times CVSF) \times LPPF / CVPF\} + SFC \times LPSFi}{100 - AUX} \right] \times 100$$

Commission's Views/ Decision:-

This issue has already been deliberated and decided by the Commission in the present Order.

68. Regulation 32: Landed cost of fuel for thermal power projects, as per HERC

Draft:

The landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means, for the purpose of computation of energy charge and in case of coal, shall be arrived at after considering normative transit/moisture and handling losses as percentage of the quantity of coal dispatched by the coal supply company during the month as follows:

Non-pithead generating plants (upto 1000 KMs	:	Upto 0.8%
Non-pithead generating plants (above 1000 KMs	:	Upto 1.2%
Pit head generating plants	:	Upto 0.2%

UHBVN has submitted that as per CERC Tariff Regulations, 2019 the transit loss in case of non-pit head generating plant has been prescribed at 0.8%. The transit loss should be prescribed accordingly.

Commission's Views/ Decision: -

The above provisions have been incorporated after due deliberation and accordingly, no further change is required.

69. Regulation 33: Primary fuel price adjustment (FPA) for thermal Power Stations (Amended),as per HERC Draft:

HPGCL shall claim FPA as per the details provided hereunder: -

Initially gross calorific value of coal shall be taken as per actual in the preceding financial year for which data is available. Any deviation shall be adjusted based on the gross calorific value of coal received and burnt and landed cost incurred by the generating company for procurement of coal on month to month basis. No separate petition shall be required to be filed with the Commission for fuel price adjustment. In case of any dispute related to primary fuel price adjustment, an appropriate application in accordance with Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time or any statutory re- enactment thereof, shall be made by

the affected party before the Commission. For determining fuel price adjustment (FPA) amount the following formula shall be adopted:

$$FPA = \frac{10 * [SHRn - SFCn * Kos] * \left[\frac{Pcm}{Kcm} - \frac{Pcs}{Kcs} \right]}{(100 - ACn)}$$

Where,

FPA: Primary Fuel Price Adjustment in Paise/kWh;

SFCn: Normative Specific Fuel Oil consumption in ml / kWh;

SHRn: Normative Gross Station Heat Rate in kCal / kWh;

Can: Normative Auxiliary Energy Consumption in percentage;

Kos: Base value of GCV of fuel oil as taken for determination of base energy charge in tariff order in kCal/ml;

Pcm: Weighted average price of coal as per the invoices submitted for the month at the power station in Rs/MT;

Kcm: Weighted average GCV of coal fired at boiler front for the month in KCal/Kg;

Pcs: Base value of price of coal as taken for determination of base energy charge in tariff order in Rs/MT;

Kcs: Base value of GCV of coal as taken for determination of base energy charge in tariff order in KCal/Kg.

The formula given accounts for fuel price adjustment in respect of coal only. As the cost of secondary fuel oil is also included in the energy charges instead of fixed charges, the fuel price adjustment for secondary fuel oil shall also be admissible. The formula needs to be corrected accordingly.

Commission's Views/ Decision: - The Commission has already deliberated and decided the issues raised herein. In view of the fact that Secondary Fuel Oil consumption has been considered in the variable / energy charges, the FPA formula shall be accordingly incorporate the same.

70. Regulation 34: Technical Minimum Schedule, as per HERC Draft:

Technical Minimum Schedule for operation of Intra-State Coal based Generating Stations

The technical minimum for operation in respect of a unit or units of an intra-State Generating Station shall be 40% of MCR loading or installed capacity of the unit of at generating station.

Technical minimum for thermal generating plant as per CERC Tariff Regulations is 55% of MCR loading or Installed capacity. Further, whereas the technical minimum has been given as 40%, the tables given for the purpose of allowing compensation are for unit loading (as a percentage of installed capacity) up to 55% only.

Commission's Views/ Decision: - The Commission has already deliberated and decided the issue in the present Order.

71. Regulation 35: Norms of operation and determination of tariff for hydro power plants, as per HERC Draft:

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.

UHBVN:

Prior period income/expense shall be allowed during true up based on audited accounts, on a case to case basis, subject to prudence check and further subject to provision of clause 27 A (i.e. in respect of uncontrollable items only).

Commission’s Views/ Decision: - The Commission has considered the objection raised by the intervener and observes that the said provision is comprehensive and no addition, as suggested, is required.

72. Regulation 34.3, as per HERC Draft:

The norms of operation for existing hydro generating stations for recovery of Annual Fixed Charges shall be as under: -

Normative Annual Plant Availability Factor (%)	Auxiliary Consumption including Transformer Losses (%)
80%	1
80%	1

The following Normative Annual Plant Availability Factor (NAPAF) shall apply to other hydrogenating stations for recovery of Annual Fixed Charges:

- a) Storage and Pondage type plants with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 80%, and where plant availability is not affected by silt: 90%

UHBVN has submitted that Auxiliary consumption including transformer losses should be as per CERC regulations as under:-

Type of Stations	Auxiliary Energy Consumption	
	Installed	
Capacity above 200 MW	Installed	
Capacity above 200 MW		
Surface		
Rotating Excitation	0.7%	0.7%
Static	1.0%	1.2%
Underground		
Rotating Excitation	0.9%	0.9%
Static	1.2%	1.3%

It has been submitted that instead of 80% it should be 8%

Commission’s Views/ Decision: - The Commission has considered the submission and observes that 80% is the plant availability factor and not auxiliary consumption.

73. Regulation 34.4 Operation and Maintenance Expenses for Hydro Power Plant, as per HERC Draft:

b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended March 31, 2020 and shall be escalated at the escalation factor of 4% to arrive at operation and maintenance expenses for subsequent years of the control period. Alternatively, the Commission may peg O&M expenses for the first year of operation at 2% of the project cost admitted by the Commission (excluding cost of rehabilitation and resettlement works and any other cost that may be disallowed by the Commission including on account of delay in CoD).

The project cost to be taken for the purpose of allowing O&M expenses for the first year of the operation @ 2% shall also excluded IDC and IEDC.

Provision for O&M norms for new hydro stations should also be made.

Commission's Views/ Decision: - The Commission has considered the objection raised by the intervener and observes that the said provision is comprehensive and no addition, as suggested, is required.

74. Regulation 38: Reactive Energy Charges, as per HERC Draft:

A generating station shall inject/absorb the reactive energy into the grid as per the directions of State Load Despatch Centre. Such injection/absorption may be undertaken on the basis of machine capability and in accordance with the directions issued by SLDC as per the provisions of Haryana Grid Code as amended from time to time.

UHBVNL has suggested that the heading may be changed to 'Reactive Energy' instead of Reactive energy charges.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. The heading shall be read accordingly.

75. Norms of Operation for Transmission Licensee, as per HERC Draft:

Regulation 45.4 (a): -

Transmission losses (%) The trajectory for, intra-state transmission loss, during the control period shall be as under:

FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
2.15	2.10	2.05	2.02	2.0

UHBVNL has submitted that the loss trajectory for transmission licensee may need to be specified for the complete MYT Period i.e. FY 2020-21 to FY 2024-25. However, in Regulation 45.4 (a) the intra state transmission losses are specified only for the period FY 2019-20 to FY 2023-24, whereas loss target for FY 2024-25 is missing and not provided in the given loss trajectory. It is therefore submitted that the same may be incorporated in the loss trajectory given under Regulation 45.4 (a).

Moreover, it is submitted that as per the Regulation 14.3 (Review at the end of Control Period), it is specified that Hon'ble Commission shall specified the value of next control period on the basis of actual performance achieved. Also, as per Clause 5.11 (f) of National Tariff Policy 2016, the operating norms for cost of service regulation shall be

relatable to past performance. Therefore, it submitted that the transmission loss trajectory for second control period may be given keeping in view the actual loss level achieved by the transmission license. The actual transmission losses for FY 2018-19 were 2.055%. Therefore, it is submitted that transmission loss trajectory from FY 2020-21 to FY 2024-25 should start from loss level achieved by the license in the last audited year. Thus, in view of the above, the Regulation 45.4 (a) may kindly be amended appropriately in the Draft MYT Regulation, 2019.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the issue has already been deliberated and decided by the Commission in the present Order.

76. Non – Tariff Income, as per HERC Draft:

Regulation 46 (c)

The “non-tariff income” shall include but shall not be limited to the following:

- i. Income from rent on land or buildings or other assets;
- ii. Income from sale of land or other assets;
- iii. Income from sale of scrap;
- iv. Income from statutory investments;
- v. Income from interest on contingency reserve investment;
- vi. Interest on advances to suppliers/contractors;
- vii. Rental from staff quarters;
- viii. Rental from contractors;
- ix. Income from hire charges from contractors and others;
- x. Income from advertisements, etc.;
- xi. Miscellaneous receipts like parallel operation charges;
- xii. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- xiii. Excess found on physical verification;
- xiv. Interest on investments, fixed and call deposits and bank balances;
- xv. Prior period income, etc

UHBVNL has suggested that the Commission may consider to add the following as para xvi.

‘xvi. 75% of the income from short term open access consumers’

Commission's Views/ Decision:-

The Commission has considered the suggestion of the licensee and observes that no change as such is required.

INCOME FROM SHORT TERM OPEN ACCESS CONSUMERS

Regulation 47, as per HERC Draft:

(a) The charges payable by the short-term open access consumers shall be as specified in the intra-State open access Regulations notified by the Commission and as amended from time to time;

(b) 25% of the charges collected from the short-term open access consumers on account of application money and transmission charges shall be retained by the transmission licensee and the balance 75% shall be considered as non-tariff income and adjusted towards reduction in the transmission service charges payable by the long term and medium-term users.

UHBVNL has suggested that the Commission may add following paragraph as para (b) and accordingly, the existing para (b) will become para (c).

'(b) Intra State Transmission Charges and SLDC charges applicable to short term open access consumers shall not be applicable on short term power purchase/sale by Distribution Licensees.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Accordingly, regulation 47(b) shall read as under:

'(b) Intra State Transmission Charges and SLDC charges applicable to short term open access consumers shall not be applicable on short term power purchase/sale by the long-term and medium-term beneficiaries of the transmission licensee.

77. Regulation 48: Reactive Energy Charges, as per HERC Draft:

The reactive energy charges shall be as provided in the Haryana Grid Code as amended from time to time.

(b) Reactive energy charge shall be payable and shared as per Regulation 5.5.1 of Haryana Grid Code (HGC) Regulation, 2009 as amended from time to time;

(c) Reactive energy account shall be maintained and operated as per the intra-State ABT Regulations to be notified by the Commission and as amended from time to time. Until the intra-State ABT Regulations are notified by the Commission, CERC ABT Regulations shall be applicable;

(d) The reactive energy charges from embedded open access consumers shall be recovered by the distribution licensee by apportioning the total reactive energy drawn during the month in the ratio of energy drawn through open access and the energy drawn from the distribution licensee. The reactive energy charges shall be recovered for the apportioned reactive energy corresponding to energy drawn through open access at the applicable rate.

UHBVNL has submitted that there is no need to maintain the reactive energy account by the STU as long as intrastate ABT Regulations are not notified. Therefore, there is no need for the STU i.e HVPNL to recover any reactive energy charges from Distribution Licensees i.e. UHBVNL & DHBVNL, because HVPNL is not required to pay any reactive charges to any of other stake holder, which requirement would arise only once intrastate ABT Regulations are notified. Besides, any reactive energy charges received from NRLDC are receivable by the Discoms and similarly any reactive energy charges to be paid to NRLDC are payable by the Discoms. Presently, the reactive energy charges received from NRLDC are being retained by the HVPNL which is in violation of the CERC Grid Code Regulations. The relevant regulation of CERC is reproduced below:-

6.6 Reactive Power and Voltage Control

Reactive power compensation should ideally be provided locally, by generating reactive power as close to the reactive power consumption as possible. The Regional Entities except Generating Stations are therefore expected to provide local VAR compensation/generation such that they do not draw VARs from the EHV grid, particularly under low-voltage condition. To discourage VARdrawals by Regional Entities except Generating Stations, Var exchanges with ISTS shall be priced as follows:

- *The Regional Entity except Generating Stations pays for VARdrawal when voltage at the metering point is below 97%*
- *The Regional Entity except Generating Stations gets paid for Var return when voltage is below 97%*

- The Regional Entity except Generating Stations gets paid for Var drawal when voltage is above 103%

From the above, it may be seen that reactive energy charges payable or receivable pertain to the regional entities. The regional entities mentioned here are Discoms and not transmission licensee. In this context it is also brought into the notice of Hon'ble Commission that in Punjab, PSTCL is not recovering any reactive charges from PSPCL. Any charges receivable/ payable from NRLDC are received/paid by PSPCL directly.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that regulation 48 is required to give effect to the Haryana Grid code. Hence, the contention of the intervener is not acceptable.

78. Regulation 50 (b) , as per HERC Draft:

Payment of transmission charges:

Provided further that the Long Term and Medium-term beneficiaries of the Transmission system shall pay no charges for the use of Transmission Network of STU.

Provided also that the transmission charges shall be payable by the short-term open access consumers for the scheduled energy drawl at per kWh rate as worked out by dividing the annual transmission charges by the total volume of energy transmitted by the transmission licensee during the previous year.

UHBVNL has submitted that Short Term Open Access transmission charges may not be charged from long-term Open Access consumers, as the total ARR of transmission licensee is completely borne by them. Charging of short-term Open Access transmission charges on short term energy trade of long-term open access consumers would lead to double recovery of expenses incurred by the transmission licensee, which has been already being paid by long term open access consumer in form of applicable annual transmission charges. Therefore, in view of the above, Regulation 50 (b) may be amended appropriately in Draft MYT Regulation, 2019.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the matter has already been deliberated and decided in the present Order.

79. Norms of Operation for Distribution Licensee, as per HERC Draft:

Regulation 57.1

The Distribution Loss trajectory for the Control Period shall be as follows:

Discoms	2019-20	2020-21	2021-22	2022-23	2023-24
UHBVN	14.14%	13.14%	12.14%	11.74%	11.24%
DHBVN	12.63%	12.14%	11.74%	11.24%	11.00%

UHBVNL has submitted that distribution loss trajectory specified in Regulation 57.1 (e) is not line with the MYT Control Period i.e. FY 2020-21 to FY 2024-25. Further, it may be noted that in Draft MYT Regulations the loss target of DHBVN for FY 2019-20 has been specified at the loss level of 12.63%, whereas the same has been kept at the loss level of 14.14% in Tariff Order dated 07.03.2019. Thus, the loss level for DHBVN may be amended for base year in loss trajectory i.e. FY 2019-20.

UHBVNL has further submitted that loss trajectory for the second MYT Control Period is quite unrealistic and need to be reviewed appropriately. As already submitted, keeping in view the recommendations made in the Abraham Committee Report regarding loss reduction trajectory, the loss trajectory for Discoms may need to be fixed in more realistic manner which could be achievable and corresponds to the present loss level of the Discoms. In Clause 5.11 (f) of National Tariff Policy 2016, it has been provided that the Operating Norms of cost of service regulations shall be efficient, relatable to the past performance, capable of achievement and progressively reflect the increased efficiency. However, in contrary to above, the loss level for the base year i.e. FY 2019-20 is kept at 14.14% for UHBVN and 12.63% for DHBVN, whereas the current distribution loss level of UHBVN is 22.04% and DHBVN is 15.74% for FY 2018-19. The loss targets as given are at quite at unrealistic / unachievable level in comparison to the current performance of the Discoms. Thus, the loss target for control period may need to be need to be mellow down reasonably.

Furthermore, under Regulation 8.3.2 it is specified that the distribution losses/AT&C Losses will be determined in MYT Order, whereas in Regulation 57.1(e) distribution loss trajectory has been specified for Control Period. The provisions are in contradiction with each other. It may further be noted that even in the states like Punjab, Gujarat and Rajasthan, distribution loss trajectory is to be notified separately in the MYT Order and the same has not been kept as a part of MYT Regulations. The rationale behind adopting such practice could be reserving the adjudication power of Hon'ble Commission regarding redetermine the loss trajectory due to any subvention provided under the Central Govt Scheme. Therefore, in view of the above, it is requested that the Regulation 57.1 (e) may be appropriately amended to read as under: -

'Distribution loss trajectory decided by the Commission in the MYT Order for the control period considering the past performance data, estimate of distribution losses for each year of the control period submitted by the Distribution Licensees in their MYT Petition, industry bench marks/norms and after consideration of other relevant factors considered appropriate by the Commission.'

Commission's Views/ Decision:-

The Commission has considered the aforesaid submissions and observes that the issue of distribution loss trajectory has already been deliberated and decided by the Commission in the present Order.

Norms of operation for Distribution Licensee, as per HERC Draft:

Regulation 57.2: - Collection Efficiency

The norms for Collection Efficiency for the distribution licensee(s) shall be 99.50% for every year of this Control Period.

UHBVNL has submitted that maintaining collection efficiency already at the level of 99% requires large scale efforts. Distribution licensee have to over engage its manpower on collection activities which sometimes may affect the routine works of operation and maintenance pertaining to power supply. Further, it may be noted that even under UDAY Scheme, collection efficiency was kept at 99% over the entire span, which itself signifies that maintaining collection efficiency at such a level is worthy enough to have a sustainable distribution network. It may also be noted that achievement of collection efficiency beyond the level of 99% will require significant amount of capital investment toward technological changes and system upgradation. Whereas, considering the current level of distribution losses, focus need to be maintained towards the reduction of distribution losses. Discoms have already taken various initiatives towards the reduction of distribution losses, which are under implementation phase and will require suitable amount of time to achieve the desired outcome. Moreover, sincere efforts are being made to introduce of new technology within the system which will assist in improving the overall collection efficiency of the system. Therefore, unless the introduction of new technology reaches to the maturity stage and distribution losses achieved at the sustainable level, the collection efficiency for the second control period need to be kept

at the level of 99% as given under various Govt. Subventions. Furthermore, it is submitted that instead of specifying collection efficiency trajectory for Discoms in MYT Regulation, the same may be specified in MYT Order as by doing so any further alterations in the target may lie well within the adjudicatory power of the Commission. Thus, in view of the above it is requested that Regulation 57.2 may either be deleted or amended appropriately in the Draft MYT Regulations, 2019.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and is of the considered view that the revised norm is required in order to bring a higher level of efficiency in the working of the licensee and has been incorporated after due consideration. Instead of proposing lower efficiency level, the licensee ought to be working on way forward towards achieving efficiency norms which would be better than those approved by the Commission.

80. Norms of operation for Distribution Licensee, as per HERC Draft:

Regulation 57.3: - AT&C Losses

The Distribution Licensee shall file AT&C Loss trajectory for monitoring AT&C Losses.

The percentage AT&C losses shall be calculated as per the following formula:

$$\% \text{ AT\&C losses} = 100 - \text{CE} \times (1 - \text{DL} / 100)$$

Where: CE is the % Collection Efficiency and

DL is the % Distribution Loss

UHBVNL has submitted that trajectory for both Distribution losses and Collection efficiency have already been defined under Regulation 57.1 (e) and Regulation 57.2 respectively. Thus, in view of availability of pre-defined values of both parameters, separate filing of AT&C loss trajectory may need not to be required. However, if above-mentioned regulations may get amended and Distribution losses and Collection efficiency may be defined in MYT Order, the necessary compliance of the given set of regulations will be made accordingly.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the calculations in regulation 57.3 have been provided in view of the facts that a large number of evaluations of performance of distribution utilities are based on AT&C losses and therefore are required to be incorporated in the regulations.

81. Regulation 57.4:- Operation and Maintenance Expenses, as per HERC Draft:

The actual audited O & M expenses for the financial year preceding the base year, subject to prudence check, shall be escalated at the escalation factor of 4% to arrive at the O & M expenses for the base year of the control period. The O&M expenses for the nth year of the control period shall be approved based on the formula given.

UHBVNL has submitted that based on the past experience, it is felt that for working out inflation factor INDX_n , equal weightage should be given to Consumer Price Index (CPI) and Wholesale Price Index (WPI) and further, the methodology of working inflation factor to be applied for escalating the Employee/A&G expenses should be given.

Commission's Views/ Decision: - The issue has already been deliberated and decided by the Commission. Hence. No change is required.

82. Cost of Power Purchase, as per HERC Draft:

Regulation 59.7

Any loss on account of increase in power purchase cost, not covered above, shall be borne by the distribution licensee.

UHBVNL has submitted that the Commission may consider to add the following at the end of this para. 'as per the provisions of clause 12 regarding sharing of gains and losses.'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Accordingly, regulation 59.7 shall read as under:

Any loss on account of increase in power purchase cost, not covered above, shall be borne by the distribution licensee subject to regulations 12 regarding sharing of gains and losses.'

83. Wheeling Charges, as per HERC Draft:

Regulation 62.1:

Provided further that wheeling charges (Rs. /kWh) payable by the short-term open access consumers during a financial year shall be worked out by dividing the approved ARR (in Rs.) for wheeling business for that year by the gross volume of energy wheeled (kWh) during the previous year.

UHBVNL has submitted that for determination of wheeling charges, wheeling ARR need be divided with the gross volume of energy estimated to be wheeled during the corresponding year instead of previous financial year. This may lead to more appropriate estimation of Wheeling Charges for the corresponding year. Thus, it is requested that Regulations 62.1 may appropriately be amended.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that the instant provision has been drafted keeping in view the fact that the gross volume of energy wheeled (kWh) during the previous year is a known figure. However, the suggestion of the licensee has been considered and the 2nd proviso to regulation 62.1 shall now read as under:

Provided further that wheeling charges (Rs. /kWh) payable by the short-term open access consumers during a financial year shall be worked out by dividing the approved ARR (in Rs.) for wheeling business for that year by the gross volume of energy wheeled (kWh) during relevant year as approved by the Commission.

84. Wheeling Charges: Regulation 62.2, as per HERC Draft:

Provided that Wheeling Losses: The Distribution Licensee shall be allowed to recover the approved level of wheeling losses arising from the operation of the distribution system, as stipulated in the respective Tariff Order.

It is submitted that the proviso to clause 62.2 should be shifted to as third proviso of clause 62.1.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Accordingly, proviso to regulation 62.2 shall be shifted and added as third proviso to regulation 62.1 in view of the fact that it is part of recovery from short term open access consumers.

85. Regulation 64, as per HERC Draft:

Bad and Doubtful Debts:

Bad and doubtful debts shall be allowed to the extent the distribution licensee has actually written off bad debts subject to a maximum of 0.5% of sales revenue. However, this shall be allowed only if the distribution licensee submits all relevant data and information to the satisfaction of the Commission. In case there is any recovery of bad debts already written off, the recovered bad debts will be treated as other income.

UHBVNL has submitted that Regulation 64 may be amended as per the Regulation 8.3 of Draft MYT Regulations 2019. Provisioning for bad and doubtful debts need to be allowed maximum 0.5% of the account receivable as per the audited accounts of the relevant year. It may be noted that any nature of business is vulnerable to the bad and doubtful debts. Therefore, a reasonable amount of provision for bad debt also need to be allowed in MYT Regulations. Further, keeping in view the consumer size of Discoms, impairment of receivable is quite natural and cannot be ignored. Therefore, it is requested that Regulation 64 may be amended appropriately in Draft MYT Regulation, 2019.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that regulation 8 gives general components of tariff and the same are to be calculated in accordance with other specific regulations as in this case. Accordingly, the approved draft is not required to be amended.

86. Regulation 64: Treatment of Demand Side Management Initiatives, as per HERC Draft:

The Commission shall introduce various policies like Time of Day (ToD) Tariff pertaining to Demand Side Management in order to flatten the Load Curve of the State and optimise the Power Purchase Cost.

The consumers who install Smart Meters on their own, tested by Independent third party- National Accreditation Board for Testing and Calibration Laboratories (NABL) or any other accredited meter testing lab certified through Govt. of India, in their premises shall be benefitted from the ToD automatically.

The Distribution licensee shall also strive to replace existing meters with Smart Meters in Urban Areas and Pre-Paid meters in Rural Areas.

Provided that Distribution Licensee shall submit quarterly progress report in this regard to the Commission.

Provided also that Distribution Licensee shall submit the utilization of funds allocated for DSM schemes and shall maintain separate records of Revenue/Expenditure related to individual DSM schemes approved by the Commission.

UHBVNL has submitted that the provisions under the heading Treatment of Demand Side Management Initiative are not relevant with the MYT Regulations and if deemed appropriate, can be included in the DSM Regulations.

Commission's Views/ Decision:-

The Commission has examined the suggestion and finds the same in order. Accordingly, the relevant paragraph stands deleted.

87. Fuel and Power Purchase Cost Surcharge Adjustment (FSA), as per HERC Draft:

Regulation 66.7: -For moderation purposes, the recovery of per unit FSA shall be limited to 10% of the approved per unit 'average power purchase cost' or such other ceiling as may be stipulated by the Commission from time to time.

UHBVNL has submitted that the provision of Fuel Surcharge Adjustment (FSA) is kept in MYT Mechanism, so as to recover the power purchase cost unrecovered by the Utility beyond approved power purchase cost allowed in Tariff Order of relevant financial year. Thus, by doing so the liquidity of the Discoms which has been eroded due to increase in power purchase cost can be met appropriately. However, during the course of last few years, the power purchase cost accrued beyond the approved power purchase cost remain unrecovered which ultimately forced the Discoms to avail the working capital loans at much higher rates which ultimately lead to the debt trap like situation. Therefore, in order to ensure quality of power supply within the state along with financial viability of Discoms, certain amount of relaxation in term of ceiling rate of FSA may be provided to Discoms. This will avoid the additional burdening on working capital imposed on Discoms due to under recovery of FSA amount during the year. Also, it is submitted that as per Clause 5.11 (h)(4) of National Tariff Policy the uncontrollable cost like FSA and others shall be recoverable in speedily manner so that the same would not get burdened on the new consumer. The relevant clause is reproduced as under: -

“Uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. Uncontrollable costs would include (but not limited to) fuel costs, costs on account of inflation, taxes and cess, variations in power purchase unit costs including on account of adverse natural events.”

Hence, in view of the above, it is requested that ceiling for recovered of FSA may increase from 10% to 15%, so that the accrued power purchase cost may get recovered and unrecovered cost doesn't get accumulated for recovery subsequently with carrying cost leading to extra burden on the consumers.

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that as per section 62 (4) of the Electricity Act, 2003 no tariff or part of any tariff may ordinarily be amended more frequently than once in any financial year, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified. It is further observed that at times due to changes in hydro – thermal mix or revision in tariff by the CERC for the CPSUs in which Haryana has allocated share, the 10% limit may not be sufficient as also established from the past experience wherein the actual FSA estimated significantly exceeded the capped limit of 10%. Hence, the Commission finds merit in the submissions of the intervener and accordingly the automatic recovery of FSA shall be revised from 10% to 15% of the APPC.

88. Non- Tariff Income (Amendment Proposed), as per HERC Draft:

Regulation 67.1: -All incomes being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent, income from investments other than contingency reserves, miscellaneous receipts from the consumers, etc shall constitute non-tariff income of the licensee;

UHBVNL has submitted that in this paragraph, delayed payment surcharge may be deleted as it is in contravention of Clause 67.2

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and finds the same in order. Regulation 67.1 shall now read as under:

'All incomes being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, meter rent, income from investments other than contingency reserves, miscellaneous receipts from the consumers, etc shall constitute non-tariff income of the licensee;'

89. Regulation 84, as per HERC Draft:

The Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012 including its subsequent amendments shall stand repealed

UHBVNL has submitted that kindly add following paragraph at the end

'However, mid-year performance review/true-up of the ARR of the generating companies/licensees for the financial year FY 2018-19 and FY 2019-20 shall be carried out as per HERC MYT Regulations 2012.'

Commission's Views/ Decision: -

The Commission has examined the suggestion of the licensee and observes that as the relevant provisions already exist in the approved draft at relevant places, no further change is required.

90. Appendix II: Depreciation Schedule, as per HERC Draft:

S. No	Asset Particulars	Useful life (Years)	Depreciation Rate for first 12 years of the useful life w.e.f COD (Salvage Value = 10%)
R	IT equipment	6	15.00%

UHBVNL has submitted that under Regulation 23 (b) it has been specified that the depreciation up to 100% on IT asset value is allowed, however in Appendix-II (Table Sr. No. R) salvage value upto 10% has been allowed on IT equipment, which means that depreciation up to 90% of IT asset value will be allowed. It is submitted further that as the maintenance cost of IT equipment is quite high compare to their overall useful life, provision for 100% depreciation of IT asset may be retained in the MYT Regulations. Therefore, it is requested that the Appendix-II (Table Sr. No. R) may be amended appropriately.

Commission's Views/ Decision: -

The Commission has considered the above suggestion and decides that no change on this issue is warranted as discussed earlier in the present Order.

In view of the above discussions / decisions, the MYT Regulations, 2019 has been modified to the extent indicated in this Order and the same is attached herewith as Annexure 'A'. The Commission orders that the MYT Regulations, 2019, as approved, shall be sent for notification in the Haryana Government Gazette at the earliest.

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 24.10.2019.

Date: 24.10.2019
Place: Panchkula

(Naresh Sardana)
Member

(Pravindra Singh Chauhan)
Member

(D.S. Dhesi)
Chairman

ANNEXURE - A

**HARYANA ELECTRICITY REGULATORY COMMISSION
BAYS 33-36, SECTOR - 4, PANCHKULA - 134112, HARYANA**

Notification

The***, 2019**

Regulation No. HERC/ XX / 2019: - The Haryana Electricity Regulatory Commission, in exercise of the powers conferred on it by section 181 of the Electricity Act 2003 (Act 36 of 2003) and all other powers enabling it in this behalf, after previous publication, hereby frames the following Regulations: -

PART - I PRELIMINARY

1. SHORT TITLE, COMMENCEMENT, EXTENT, AND INTERPRETATION

1.1 These Regulations shall be called the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019.

1.2 These Regulations shall come into force with effect from 1st April, 2020 and shall, unless otherwise directed by the Commission, remain in force up to 31st March, 2025 for the duration of second control period.

1.3 These Regulations shall extend to the whole of the State of Haryana.

2. SCOPE OF APPLICATION

2.1 These Regulations shall be applicable to all existing and future Generating Companies, Transmission Licensees / SLDC and Distribution Licensees and their successors/assignees, if any, and shall apply where the Commission determines: -

- i) tariff for supply of electricity by a generating company to a distribution licensee under section 62 and 64 of the Act;
- ii) tariff for intrastate transmission of electricity by a transmission licensee to a distribution licensee or to open access consumers under section 62 and 64 of the Act;
- iii) State Load Dispatch Centre (SLDC) fees and charges under section 32(3) of the Act;
- iv) tariff for wheeling, distribution & retail supply of electricity by a distribution licensee under Section 62 and 64 of the Act;
- v) tariff in all other cases where the Commission has the jurisdiction for tariff determination; and

- vi) Cross-subsidy Surcharge in addition to the charges for wheeling under the first proviso to sub-section (2) of section 42 of the Act, in accordance with the Open Access Regulations.
 - vii) Additional Surcharge in addition to the charges for wheeling under sub-section (4) of section 42 of the Act, read with the HERC Open Access Regulations, to meet the stranded fixed cost of such distribution licensee arising out of its universal obligation to supply.
- 2.2 In case the tariff has been determined through transparent process of tariff based competitive bidding in accordance with the guidelines issued by the Central Government as per Section 63 of the Electricity Act, 2003, the Commission shall adopt such tariff in accordance with the provisions of the Act;
- 2.3 These Regulations shall not apply for tariff determination of renewable energy generation projects. The tariff for such generation projects shall be determined as per Haryana Electricity Regulatory Commission (Terms & Conditions for determination of Tariff from Renewable Energy Sources, Renewable Purchase Obligation and Renewable Energy Certificate) Regulations, 2017 as amended from time to time.

3. DEFINITIONS AND INTERPRETATION

- 3.1 **“Act”** means the Electricity Act, 2003 (36 of 2003) as amended from time to time;
- 3.2 **“Accounting Statement”** for the purpose of these Regulations, shall include: -
- i) Balance sheet / profit and loss statement prepared in accordance with the relevant schedule of the Companies Act in vogue including as may be required under any other Regulations notified by the Commission;
 - ii) Cash flow / fund flow statement in line with the relevant Accounting Standards of the Institute of Chartered Accountants of India;
 - iii) Report of the Statutory Auditors,
 - iv) Cost Accounting Records, wherever applicable, as prescribed under Section 209(1)(d) of the Companies Act in vogue.
- 3.3 **“additional capitalization** means the capital expenditure actually incurred or projected to be incurred after the date of commercial operation of the project, up to the cut-off date, and admitted by the Commission after prudence check.
- 3.4 **“applicant”** means a generating company or a transmission licensee or a distribution licensee or SLDC who has made an application for determination of tariff / charges or an application for annual performance review / true-up in

accordance with these Regulations and the Act and includes a generating company or a transmission licensee or a distribution licensee or SLDC whose tariff / charges the subject of review by the Commission; 3.4 **“ARR”** means Aggregate Revenue Requirement comprising of allowable Operating Expenses (OPEX), Capital Expenditure (CAPEX) and Return on Equity (RoE) for generation, transmission & SLDC and Wheeling & Retail supply of electricity by a distribution licensee;

3.5 **“Allocation Statement”** means annual financial statement in respect of each of the separate businesses of the Licensees, showing the amount of revenue, costs / expenses, assets, liability, reserves and basis of provisions, if any which has been either:

- i) charged from or to each such separate business together with a description of the basis of that charge; or
- ii) determined by apportionment or allocation between the Licensed/Regulated Business and every other separate business of the Licensee/Generation Company, together with a description of the basis of the apportionment or allocation:

Provided that ‘Allocation’ Statement’ shall not be construed as a substitute for maintaining separate accounting statement for the licensed business and other businesses of the Licensees.

Provided that the licensed business of a distribution and retail supply licensee(s) shall be segregated as Wheeling Business (wires) and Retail Supply Business.

Provided that the licensed business of a transmission licensee(s) shall be segregated as ‘transmission businesses and ‘State Load Despatch businesses.

Provided that the generation company shall segregate its accounting data Unit Wise and that such allocation statement in respect of a generating station shall be maintained in a manner so as to enable tariff determination, stage-wise, Unit-wise and/or for the whole generating station.

3.6 **“auditor”** means an auditor appointed in accordance with the provisions of section 139 of Companies Act, 2013 or any other law for the time being in the force;

3.7 **“auxiliary energy consumption”** or **‘AUX’** in relation to a period means the quantum of energy consumed by auxiliary equipment of the generating unit / plant such as the equipment being used for the purpose of operating plant

and machinery including switchyard of the generating station and transformer losses within the generating unit / plant, expressed as a percentage of the sum of gross energy generated at the generator terminals of the generating unit / all the units of the generating plant;

Provided that AUX shall not include energy consumed for supply of power to housing colony and other facilities at the generating station and the power consumed for construction works at the generating station;

3.8 “availability”

- i) in relation to transmission system for a given period means the time in hours during that period the transmission system is capable to transmit electricity at its rated voltage and shall be expressed in percentage of total hours in the given period and calculated as per the formula specified in Appendix - I to these Regulations;
- ii) in relation to a generating station, for a given period, it shall mean the average of the daily declared capacities as certified by the State Load Despatch Centre (SLDC) for all the days during the period expressed as a percentage of the installed capacity minus normative AUXc as provided in these Regulations. The formula specified for the purpose shall be as under: -

$$\text{Availability (\%)} = \frac{10000 \times \sum DC_i}{N \times IC \times (100 - AUX_n)}$$

Where:

IC = Installed Capacity of the generating plant in MW,

DC_i = Average Declared ex-bus Capacity for all days during the period in MW,

N = Number of days in the given period,

AUX_n = Normative Auxiliary Energy Consumption as a percentage of gross generation,

∑ = Summation from i = 1 to N;

3.9 “bank rate” shall mean the State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) of one-year tenor, prevalent at the beginning of the relevant financial year.

3.10 “base year” means the financial year immediately preceding the first year of the Control Period and used for the purposes of these Regulations;

3.11 **“beneficiary”** in relation to a

- i) **“generating plant”** means the person buying power generated at such a generating plant whose tariff is determined under these Regulations.
- ii) **“transmission system”** means the person who has availed of the transmission system on payment of transmission charges determined under these Regulations. This includes a distribution licensee, a transmission licensee, a person who has setup a captive power plant or a generating company including merchant power plant or a consumer availing long-term or medium-term open access utilizing such transmission system. Short-term open access consumers will not be treated as beneficiaries;
- iii) **“SLDC”** means the person who uses the services of SLDC and shall include distribution licensee, transmission licensee, a person who has set up captive power plant or a generating company including merchant power plant or a consumer availing long-term or medium-term open access.

3.12 **“block”** in relation to a combined cycle thermal generating plant includes combustion turbine generator(s), associated waste heat recovery boiler(s), connected steam turbine generator and auxiliaries;

3.13 **“CERC”** means the Central Electricity Regulatory Commission;

3.14 **“collection efficiency”** means the ratio of total revenue realised to the total revenue billed during the same financial year. The revenue realisation from arrears pertaining to the same financial year shall be included but revenue realisation from late payment surcharge and arrears pertaining to the previous years shall not be included for computation of collection efficiency;

3.15 **“Commission”** means the Haryana Electricity Regulatory Commission;

3.16 **“conduct of business Regulation”** means Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 as amended / re-enacted from time to time;

3.17 **“control Period”** means a multi-year tariff period fixed by the Commission from time to time. The control period, under these Regulations, shall be of five years i.e. from 1st April 2020 to 31st March 2025.

3.18 **“core business”** for the purpose of these Regulations, means the regulated activities of the generating company or the transmission licensee or the distribution licensee, as the case may be, and does not include any other business;

3.19 “cut-off date” means 31st March of the year closing after two years of the year of commercial operation of the project, and in case the project is declared under commercial operation in the last quarter of a year, the cut-off date shall be 31st March of the year closing after three years of the year of commercial operation;

3.20 **“Change in Law”** shall mean occurrence 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 any 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 implication for the generating station or the transmission system regulated under these regulations.

“Provided that financial implication of change in law in relation to a PPA or TSA shall be as may provide in the PPA or TSA”.

3.21 **“date of commercial operation (COD)”** means

(a) In relation to a generating unit, the ‘date of Commercial Operation declared by the generating company after demonstrating the maximum continuous rating (MCR) or Installed Capacity (IC) through a successful trial run after seven days’ notice to the beneficiaries and scheduling shall commence from 00.00 Hrs of the day following the day of successful completion of trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and in vogue and / or re-enacted.

(a) In relation to the generating plant, the date of commercial operation of the last unit or block of the generating plant;

(b) In relation to Hydro Power Plants including PSP, CoD shall be the date declared by the Generating Company after demonstrating peaking

capacity corresponding to the installed capacity of the generating station through successful trial run after seven days' notice to the beneficiaries and scheduling shall commence from 00.00 Hrs of the day following the day of successful completion of trial run. Additionally, the Generator shall certify that the said generation unit fully comply with the applicable provisions and technical standards of the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 and Haryana Electricity Regulatory Commission (Grid Code) Regulations, as amended and / or re-enacted.

Provided further, that in case a hydro generating station, with pondage, is unable to demonstrate peaking capacity corresponding to the installed capacity due to insufficient reservoir / pond level, the CoD shall be considered as the date of commercial operation of the last unit of the generating unit. However, it shall be mandatory for such hydro generator to demonstrate peaking capacity corresponding to the installed capacity as and when such reservoir / pond level is achieved. The same in the case of run-of-river shall be as soon as sufficient water flow is available subsequent to the lean inflow season.

- (c) in relation of transmission system, the date from 00.00 Hrs of charging the transmission system or part thereof to its rated voltage level or seven days after the date on which it is declared ready for charging by the transmission licensee, but is not able to charge for reasons not attributable to the transmission licensee, its suppliers or contractors.

Provided in the case of dedicated transmission line / sub-station, the Generating Company and the Transmission Licensee shall ensure that the transmission system is commissioned well within the time frame agreed upon by them. However, in case the delay in commissioning is on account of the generating station concerned, the transmission licensee shall approach the Commission with an appropriate petition for approval of the CoD of such transmission system or transmission element as such. However, any charges for the transmission line/ sub-station not put in use due to reasons attributable to generating station shall be borne by the generation company until such transmission line/ sub-station is put to use for evacuation of power of the said generating station.

- 3.22 **“declared capacity”** or **‘DC’** means the capability of generating plant to deliver ex-bus electricity in MW declared by such generating plant in relation to any time-block of the day or whole of the day, duly considering the availability of fuel or water;

- 3.23 “De-capitalization” means reduction in Gross Fixed Assets (GFA) and reflected in the Fixed Assets Register subsequent to removal of the assets as admitted by the Commission;
- 3.24 “**Design Energy**” in relation to hydro power plant means the quantum of energy that could be generated in a 90 percent dependable year with 95 percent installed capacity of the generating station;
- 3.25 “**Distribution Business**” means the business of operating and maintaining a distribution system for supplying electricity in the area of supply of the distribution licensee;
- 3.26 “**Distribution wires Business**” means the business of operating and maintaining the system for wheeling of electricity in the area of supply of the distribution licensee;
- 3.27 “existing generating plant” means generating plants declared under commercial operation on or a date prior to 31st March 2020;
- 3.28 “existing transmission system” means the transmission system declared under commercial operation on or a date prior to 31st March 2020;
- 3.29 “**Force Majeure**” for the purpose of these regulations shall mean the events or circumstances or combination of events and circumstances including those stated below which partly or fully prevents the generating company or transmission licensee or distribution licensee to complete the project within the specified timeline in the investment approval, and only if such events or circumstances are not within the control of the generating company or transmission licensee or distribution licensee and could not have been avoided, had they taken reasonable care or complied with the prudent practices :
- a) Act of God including lightening, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, or exceptionally adverse weather conditions which exceeds the statistical measures for the last hundred years; or
 - b) Any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolts, riot, insurgency, terrorist or military action; or
 - c) Industrial Strikes and labor disturbances having nationwide impact in India; or
 - d) Delay in obtaining statutory approval for the project except where the delay is attributable to the project developer(s);
- 3.30 “**gross calorific value**” or ‘**GCV**’ in relation to a thermal power generating plant means the heat produced in kCal by complete combustion of one kilogram of solid fuel or one litre of liquid fuel or one standard cubic meter of gaseous fuel, as the case may be;

- 3.31 **“station heat rate”** or **‘SHR’** means the heat energy input in kCal required to generate one kWh of electrical energy at generator terminals;
- 3.32 **“infirm power”** means electricity injected into the grid prior to the Scheduled COD or the date of commercial operation of a unit or block of a generating plant whichever is earlier;
- 3.33 **“installed capacity”** or **‘IC’** means the summation of the name plate capacities of all the units of the generating plant or the capacity of the generating plant (reckoned at the generator terminals) approved by the Commission from time to time;
- 3.34 **“licensee”** means any person or persons granted license under Section 14 or exempted under Section 13 of the Act including deemed licensee
- 3.35 **“licensed business”** means the functions and activities, which the licensee(s) is required to undertake in terms of the licence granted by the Commission or as a deemed Licensee(s) under the Act;
- 3.36 **“long-term transmission consumer”** means a distribution licensee or a person having a long-term lien for a period as defined in the open access Regulations notified by the Commission from time to time, over an intra-State transmission system by paying all applicable charges for which appropriate agreement has been entered into with the transmission licensee;
- 3.37 a) **“market operation function”** means functions of scheduling, dispatch, metering data collection, energy accounting & settlement, transmission loss calculation & apportionment, operation of pool account & congestion charge account, administering ancillary services & information dissemination and any other function assigned to the SLDC by the Electricity Act, 2003 or by HERC Regulations and Orders;
- b) **“market operation charges”** means the charges, as approved by the Commission, to be recovered by the SLDC from the users for performing market operation functions.
- 3.38 **“maximum continuous rating”** or **‘MCR’** in relation to a unit of the thermal power generating plant means the maximum continuous output at the generator terminals, guaranteed by the manufacturer at rated parameters, and in relation to a block of a combined cycle gas based thermal power generating plant means the maximum continuous output at the generator terminals, guaranteed by the manufacturer with water or steam injection, if applicable, and corrected to 50 Hz grid frequency and specified site conditions;

3.39 **“medium term transmission consumer”** means a person having a medium-term lien for a period as defined in the open access Regulations notified by the Commission from time to time over an intra-State transmission system by paying all applicable charges;

3.40 (a) **“new generating plants”** means generating plants declared under commercial operation on a date after 31st March 2020;

(b) **“new transmission system”** means the transmission system declared under commercial operation on a date after 31st March 2020;

3.41 **“operation and maintenance expenses”** or **“O&M expenses”** mean the expenditure incurred on operation and maintenance of the generating plant or transmission system or distribution system, as the case may be, including part thereof, and includes the following expenditure:

- a. Employee cost (EC)
- b. Repair and Maintenance (R & M) expenses;
- c. Administration and General (A &G) expenses;

3.42 **“plant load factor”** or **'PLF'** for a given period, means the total sent out energy corresponding to actual generation during the period, expressed as a percentage of sent out energy corresponding to installed capacity in that period and shall be computed in accordance with the following formula:

$$PLF (\%) = \frac{10000 \times \sum G_i}{N \times IC \times (100 - AUX_n)}$$

Where:

IC	=	Installed Capacity of the generating Plant/Unit in MW,
G _i	=	Actual ex-bus Generation in MW for the ith time block of the period,
N	=	Number of Time Blocks during the period,
AUX _n	=	Normative Auxiliary Energy Consumption as a percentage of gross generation,
∑	=	Summation from i = 1 to N;

3.43 **“project”**

(a) In case of generation business comprising thermal generating station, all components of the thermal generating station and shall include coal handling plant, pollution control system, effluent treatment plan, as may be required;

(b) In case of generation business comprising hydro generating station, all components of the hydro generating station and shall include dam, intake

water conductor system, power generating station, as apportioned to power generation;

(c) In relation to the transmission business means a transmission system comprising specified transmission lines, sub-stations and associated equipment including communication system;

(d) In relation to State Load Despatch Centre means any project associated with integrated operation of power system in the State; and

(e) In relation to distribution business means a distribution system comprising specified distribution lines, sub-stations and associated equipment;

- 3.44 **“Prudence Check”** means scrutiny of reasonableness of expenditure incurred or proposed to be incurred, financing plan, use of efficient technology, cost and time over-run and such other factors as may be considered appropriate by the Commission for determination of tariff;
- 3.45 **“rated voltage”** means the manufacturer’s design voltage at which the transmission/distribution system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with supplier and receiver of electricity
- 3.46 **“retail supply business”** means the business of sale of electricity by a Distribution Licensee(s) to the various categories of consumers within the area of supply in accordance with the terms of the License for distribution and retail supply of electricity;
- 3.47 **“revenue”** means the amount billed or assessed to be billed at the applicable tariff including any fuel price adjustments in the case of a Generating Company and in the case of distribution licensees shall be inclusive of MMC, FSA or any other charges i.e. power factor surcharge, load / demand surcharge etc. for sale of power.
- 3.48 **‘Scheduled Energy’** means the quantum of energy scheduled by the State Load Dispatch Centre to be injected into the grid by a generating station for a given time period;
- 3.49 **“Scheduled generation”** for any given time or time block means the quantum of ex-bus energy scheduled by the State Load Dispatch Centre to be injected into the grid by a generating plant.
- 3.50 **“short-term transmission consumer”** in the context of usage of Transmission System means a person having short-term lien for a period as defined in the open access Regulations notified by the Commission from time to time over an intra-State Transmission System by paying all applicable charges;

- 3.51 **“State”** means State of Haryana;
- 3.52 **“State Load Dispatch Centre”** or **‘SLDC’** means the centre established by the State Government under section 31 of the Act for purposes of exercising the powers and discharging the functions under Section 32 of the Act;
- 3.53 a) **“System Operation Functions”** includes monitoring of grid operations, supervision and control over the intra - state Transmission System, real - time operations for grid control, system restoration following grid disturbances, compiling and furnishing data pertaining to system operation, congestion management/co-ordination with RLDC, black start co-ordination and any other functions assigned to the SLDC by the Electricity Act, 2003 or by HERC Regulations and Orders.
- b) **“System Operation Charges”** means the charges, as approved by the Commission, to be recovered by the SLDC from the users for performing system operation functions.
- 3.54 **“tariff”** means the schedule of charges for generation, transmission and distribution & retail supply of electricity with terms and conditions applicable thereto;
- 3.55 **“transmission service agreement”** or **‘TSA’** means an agreement, contract, memorandum of understanding, or any such covenant, entered into between the transmission licensee and the long-term transmission consumer(s), as approved by the commission, for the use of transmission system
- 3.56 **“transmission system”** means a transmission line or a group of transmission lines inter-connected together with or without associated sub-stations including equipment associated with transmission lines and sub-stations;
- 3.57 **Trial Run or Trial Operation:** Trial Run or Trial Operation in relation to a thermal Generating Station or a unit thereof shall mean successful running of the generating station or unit thereof on designated fuel at Maximum Continuous Rating or Installed Capacity for a continuous period of 72 hours and in case of a hydro Generating Station or a unit thereof for a continuous period of 12 hours:

Provided that:

- (i) The short interruptions, for a cumulative duration of 4 hours, shall be permissible, with corresponding increase in the duration of the test. Cumulative Interruptions of more than 4 hours shall call for repeat of trial operation or trial run.
- (ii) The partial loading may be allowed with the condition that average load during the duration of the trial run shall not be less than Maximum

Continuous Rating, or the Installed Capacity excluding period of interruption and partial loading but including the corresponding extended period.

- (iii) Units of thermal and hydro Generating Stations shall also demonstrate capability to raise load upto 105% or 110% of this Maximum Continuous Rating or Installed Capacity, as the case may be.

3.58 “**unit**” unit’ in relation to a thermal power generating plant means steam generator, turbine-generator and auxiliaries, or in relation to a combined cycle gas based thermal power generating plant, means turbine-generator, waste heat recovery plant and auxiliaries’and in relation to a hydro generating station means turbine-generator and its auxiliaries’;

3.59 “**unscheduled interchanges**” or ‘**UI**’ means the unscheduled interchange of energy as mentioned in the Indian Electricity Grid Code or as defined in the Intra State ABT Regulations of HERC as may be notified from time to time;

3.60 “**wheeling**” means the operation whereby the distribution system and associated facilities of a transmission licensee or distribution licensee, as the case may be, are used by another person for the conveyance of electricity on payment of charges to be determined under section 62 of the Act;

3.61 “**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;

3.62 “**Year**” means the financial year i.e. a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;

(a) “**Current Year**” means a year in which the petition for aggregate revenue requirement or determination of tariff is to be filed;

(b) “**Ensuing Year**” means the year immediately following the current year;
and

(c) “**Previous Year**” means the year immediately preceding the current year

3.63 “**Technical Minimum Schedule**” in respect of State Generating Stations shall have the same meaning as provided in Regulation 34 of these Regulations.

Words appearing in these Regulations and not defined shall bear the same meaning as in the Act. All other expressions used herein but not specifically defined herein but defined in the Act shall have the meaning assigned to them in the Act. The expressions used herein but not specifically defined in the Regulations or in the Act but defined under Haryana Electricity Reform Act, 1997 (Act 10 of 1998) shall have the meaning assigned to them under the said Act, provided that such definitions in the Haryana Electricity Reform Act, 1997 are not inconsistent with the provisions of the Electricity Act, 2003.

PART II - MULTI YEAR TARIFF FINANCIAL PRINCIPLES

4. GENERAL

4.1 The Commission, in specifying these Regulations, is guided by the provisions of Sections 61 and 62 of the Electricity Act, 2003, the National Electricity Policy and the National Tariff Policy notified by the Central Government under Section 3 of the Act as amended from time to time as well as the relevant Regulations notified by the Central Commission.

4.2 The Commission shall adopt Multi Year Tariff (MYT) framework for determination of ARR/tariff for each year of the Control Period from the FY 2020-21 i.e. 1.04.2020.

4.3 Basis of implementation of Multi Year Tariff framework: -

The implementation of MYT framework shall be based on the following: -

(a) The capital investment plan and the business plan for a period not less than the control period to be submitted by the utilities for their respective businesses along with the MYT Petition;

Provided that to begin with, the generating companies and the licensees may file their business plan by the end of January 2020 and the first-year investment plan with the respective MYT Petition for the second control period under these Regulations.

(b) The forecast for each year of the control period of the various financial and operational parameters of ARR, based on reasonable assumptions, to be filed by the utilities for their respective businesses;

(c) The trajectory for specific variables as may be stipulated by the Commission, where the performance of the utilities for their respective businesses is sought to be improved under incentive and penalty framework;

(d) The mid-year performance review vis-a-vis the approved forecast and variations in performance of controllable and uncontrollable items;

Provided that the Generating Company and the Licensees shall submit their Accounting Statements / Segmented Accounts / Allocation Statement to support their claims / assessment including reasons of variations in various expenses, at the time of performance review / Truing-up.

(e) The mechanism for sharing approved gains or losses on account of controllable items;

(f) The mechanism for pass through of approved gains or losses on account of uncontrollable items.

Provided that the Commission shall apply prudence check with regard to the following: -

- i) Revenue from Sale of Power- whether consumer category wise sales projections are backed up by consumer category wise time series data on connected load / contract demand, sales trend, number of consumers and any abnormal increase / decrease has been adequately explained.
- ii) Billing Efficiency - measured as a percentage of Units billed by the distribution licensee to the total units injected into the distribution system.

Provided that in the case of a transmission licensee, the same shall be expressed as a percentage of units injected into the transmission system'

- iii) Revenue Collection Efficiency- shall be measured as a percentage of revenue realised by a generating company / Licensee against the total amount billed excluding arrears.
- iv) Reduction in outstanding receivables from consumers including un-paid RE Subsidy, if any and beneficiaries in the case of transmission licensees and Generating Company.
- v) Percentage of consumers billed on the basis of meter reading to the number of consumers billed on average / assessed basis.
- vi) Revenue Expenditure including interest payments on term loan / working capital loans vis-a-vis revenue earned. Any revenue expenditure in excess of revenue earned shall be supported by a detailed justification including source of funding at the time of Truing-up;
- vii) Merit Order scheduling of power in line with requirement and additional revenue earned over and above the average power purchase cost on trading of surplus power;
- viii) Assessment of financial and physical progress of Capital Expenditure under each head vis-a-vis the schedule submitted and approved by the Commission. In case of any deviation in Capital Expenditure including Capitalisation, the generating company / Licensee shall submit a detailed justification at the time of truing-up. The loan drawl should be matched with physical progress of Capital Works undertaken under each head.

4.4 Tariff during the control period: The Commission shall determine the ARR for each year of the control period and tariff for the first year of the control period separately for Generation Company (ies), transmission licensee(s) / SLDC and distribution licensee(s).

4.5 The tariff applicable to each business in each of the remaining years of the control period shall be notified by the Commission through a separate order after taking into consideration the following: -

- a) Mid-year performance review;
- b) Specified performance targets;
- c) True-up of uncontrollable items as defined in Regulation 8.3 and of controllable items as provided in regulation.

4.6 There will be no true-up of the controllable items except on account of Force Majeure events or on account of variations attributable to uncontrollable items. The variations in the controllable items, as defined in Regulation 8.3, over and above the norms specified will be governed by incentive and penalty framework specified in these Regulations.

4.7 The tariff determined by the Commission and the directions given in the MYT order shall be quid pro quo and mutually inclusive. The tariff determined shall, within the time period specified in the order, be subject to the compliance of the directions by the generating company and the licensees to the satisfaction of the Commission. Non-compliance of the directions shall lead to such amendment, revocation, variations and alterations in the tariff, as may be ordered by the Commission. Further non-compliance of directions given in the tariff order may also lead to invocation of the provisions of section 142 and 146 of the Electricity Act, 2003.

Provided the Generation Company and / or the Licensee may seek extension in time for compliance of the directives with appropriate justification to the satisfaction of the Commission.

4.8 The tariff determined by the Commission shall continue to be applicable till it is modified / amended or revised by the Commission.

4.9 The norms specified under these Regulations are the ceiling norms and this shall not preclude the generating company and/or licensee or any other person, as the case may be, from agreeing to improved norms of operation. In case the improved norms are agreed to, such norms shall be applicable for determination of tariff.

5. PLANT WISE COMPUTATION OF TARIFF FOR GENERATING COMPANY

5.1 The tariff for the generating company shall be determined plant-wise. Following shall be the categorization for the existing thermal plants of State Generator i.e. HPGCL: -

S.No	Plant	Capacity (MW)
1	Panipat TPS Unit 5 & 6	

	Unit-5:	210
	Unit-6:	210
2	Panipat TPS Unit 7 and 8	
	Unit-7:	250
	Unit-8:	250
3	DCR TPS Yamunanagar	
	Unit-1:	300
	Unit-2:	300
4	Rajiv Gandhi TPS Khedar (Hisar)	
	Unit-1:	600
	Unit-2:	600

5.2 The generating company shall prepare its annual accounts in a manner such that all individual plants / units are treated as separate business entity including any new plant that may be commissioned during the control period.

5.3 The operational norms for each generating plant shall be specified unit-wise. Therefore, the statement of account should also include the unit-wise performance parameters for each plant.

5.4 The generating company shall file the tariff petition as per the above categorization. All plants indicated above and the plants which may be commissioned during the control period shall have separate interface metering with the transmission licensee(s) as per CEA (Installation and Operation of Meters) Regulations, 2006 as amended from time to time and, as and when intra state ABT is implemented, different power plant, as categorised above, shall be scheduled separately as per the intra State ABT Regulations as may be notified by the Commission from time to time.

Provided that a Generation entity may file an application for determination of provisional tariff for a new generating station or Unit(s) six months prior to the scheduled date of commissioning.

5.5 For the plants, if any, not covered under ABT the Commission may determine, single part tariff based on a normative PLF.

Provided the Commission may determine tariff for hydro power projects up to 25 MW separately as per the norms specified in the HERC RE Tariff Regulations in vogue.

5.6 **'target / normative availability'** and **'target / normative PLF'** shall be construed as normative availability and normative PLF till such the time power plants are brought under intra-State ABT framework.

6. ARR / Tariff OF TRANSMISSION BUSINESS AND SLDC

- 6.1 The transmission licensee i.e. Haryana Vidyut Prasaran Nigam (HVPN) has been notified as the State Transmission Utility by the Haryana Government as per Section 39(1) of the Act and has also been entrusted with the operation of SLDC. Accordingly, HVPN shall submit separate ARR for its transmission business and SLDC business, as long as it remains under its control, as per provisions of these Regulations.
- 6.2 The HVPN shall maintain separate accounts for SLDC and transmission business. Till accounts are segregated, STU shall prepare an Allocation Statement to apportion costs and revenues to respective businesses. The Allocation Statement shall be considered by the Commission only if it is certified by the Statutory Auditor/Cost Auditor and approved by the Board of Directors of the STU, and it shall be accompanied with an explanation of the methodology which shall be consistent over the Control Period.
- 6.3 After a Government company or an authority or a corporation is established or constituted for operation of SLDC by or under any State Act, as may be notified by the State Govt. as per provisions of Section 31 of the Act, the ARR for SLDC business shall be submitted by such Government company, authority or corporation, as the case may be, as per provisions of these Regulations.'
- 6.4 The Commission may require the STU or the Government company/Authority/Corporation established for operation of SLDC or the SLDC itself to submit such details/information as may be required for determination of SLDC charges. Further, the Commission may give directions to SLDC in relation to the role and functioning of SLDC.
- 6.5 The transmission tariff determined by the Commission shall comprise all or any of the following: -
- i) Transmission System Access Charges (TSAC);
 - ii) Annual Transmission Charges (ATC);
 - iii) Per Unit charges for energy transmitted (Rs/kWh or kVAh);
 - iv) Reactive Energy Charges (Rs / kVARh);
- ATC, for each financial year of the control period shall be designed to recover the ARR of the Transmission Licensee for the respective financial year as approved by the Commission.

The ARR shall comprise of the following: -

- ii) Operation & Maintenance Expenses (O&M)
 - Administrative & General Expenses (A&G);
 - Employees Expenses (working & retired);
 - Repair & Maintenance (R&M);

- iii) Depreciation;
- iv) Interest Expenses
 - on term loan (IoTL);
 - on working capital loan (IoWC);
- v) Return on Equity (RoE)
- vi) Income Tax / MAT
- vii) Foreign Exchange Rate Variation (FERV) applicable on foreign currency loans.

Provided that Non-Tariff Income, Income from Open Access Consumers and income from intrastate transmission lines designated as interstate transmission lines wherein Yearly Transmission Charges are recovered through Point of Connection (PoC) charges as per CERC Regulations / Order(s), shall be deducted while determining ATC recoverable by the transmission licensee(s) from its long-term beneficiaries.

Provided that Non-Tariff Income shall include, but not limited, to Income from rent of land/building, sale of scrap, investments/advances, rentals, supervision charges for capital works, sale of tender/documents/advertisements etc.

- 6.6 The Commission may implement a transmission pricing mechanism for transmission licensee in such a way so as to align intra-State transmission pricing mechanism with the inter-State transmission pricing mechanism as adopted by the Central Electricity Regulatory Commission in line with the National Tariff Policy of the Government of India.

Provided the existing transmission licensee / STU are able to collect and collate sufficient data / underlying assumptions including voltage wise transmission loss allocation factor w.r.t. distance sensitive cost of transmission after undertaking a detailed study relating the hybrid method (PoC methodology of CERC bringing together the marginal and average participation approach) and load flow study including its likely impact on the beneficiaries of transmission services along with the timelines for implementing the same.

- 6.7 The aggregate revenue requirement, net of deductions and other income, for transmission business as approved by the Commission for the control period shall be the total cost of the transmission system (ATC). The ATC shall be recovered from all the users of the Transmission System for the respective year(s) of the control period as per the formula specified herein.

$$ATC = \sum_{i=1}^n (ARR_i - NTL_i - OI_i)$$

The notations are as explained below:-

ATC = Total Transmission System Cost of the relevant year of the Control Period.

n = Number of Transmission Licensee (in case more than one except those selected through competitive bidding mode u/s 63 of the Electricity Act, 2003).

NTI = Non-Tariff Income as approved by the Commission for the ith year of the Control Period.

OI = Other Income i.e. income from any business of the transmission licensee other than the regulated business income / revenue from which is required to be shared for the ith year of the Control Period.

Provided that the ATC, as determined by applying the ibid formula shall be either:-

i) Shared by the long-term beneficiaries of the Transmission System in proportion to the respective transmission system of each user of the transmission system allotted in the intra-state transmission system.

Or

Depending on the availability and reliability of the recorded data_.

ii) Average of the respective projected simultaneous maximum peak (co-incident system peak) and non-coincident peak for each long-term transmission system users.

Provided that the above shall be subject to truing - up on availability of actual data of co-incident and non-coincident system peak as per the dispensation of truing-up provided in these Regulations.

Provided also that the base transmission tariff for short term users including Open Access Consumers shall be determined in accordance with the following formula:-

$$TT = ATC / \sum_{i=1}^n \text{ (Energy Transmitted by Transmission Licensee)}$$

Where:

TT = Transmission Tariff (Rs/kWh)

ATC = Total Transmission System Cost of the relevant year of the Control Period.

Provided that the energy (kWh) transmitted by the transmission licensee(s) shall be as projected by the transmission licensees in their MYT petition and approved by the Commission after following the due process. Any variation in projected / approved and actual shall be trued up at the time of mid-term on availability of audited data / information.

6.8 Provisional Transmission Tariff

6.9 The Commission, on a petition filed by the existing Transmission Licensee or a new Transmission Licensee in Haryana, shall determine and approve transmission tariff under these Regulations on a provisional basis.

Provided a petition for determination of provisional transmission tariff is filed before the Commission at least six months prior to the anticipated / scheduled date of commercial operation of the transmission system.

6.10 The petition for determination of provisional transmission tariff shall inter alia include the following: -

- i) Capital Expenditure incurred and projected to be incurred up to the date of scheduled commercial operation including additional capital expenditure incurred duly certified by the statutory auditor.
- ii) Details of all the underlying assumptions
- iii) Based on the above, provisional transmission tariff shall be determined and allowed from the scheduled date of commercial operation.

Provided in the case the CoD is delayed beyond six months from the date of Commission's Order determining / approving provisional transmission tariff, the said Order shall cease to be applicable and the Petitioner shall be required to file a tariff petition afresh after the date of CoD.

- iv) The transmission licensee shall file a petition for determination of final tariff transmission tariff within six months from the date of CoD based on the audited capital expenditure and capitalisation as on the date of CoD of the transmission project.
- v) The Commission shall determine final tariff based on prudence check of the audited capital expenditure and capitalisation thereto as on date of CoD including but not limited to benchmarking capital expenditure and capitalisation against similar transmission projects commissioned elsewhere in the country.

Provided where the final transmission tariff determined / approved by the Commission is +/- 5% of the provisional tariff, the differential amount shall be restored / recovered from the beneficiaries along with interest rate as may be considered reasonable by the Commission subject to the ceiling of the interest rate allowed to the transmission licensee on its working capital loans.

7. WHEELING (PURE WIRES) AND RETAIL SUPPLY BUSINESS

- 7.1 The distribution licensee shall segregate the accounts of the licensed business into Wheeling Business and Retail Supply Business and submit separate ARR for the respective businesses. The ARR, approved by the Commission, for Wheeling Business, shall be an input to determine wheeling charges recoverable from Open Access consumers and the ARR for Retail Supply Business, as approved by the Commission, shall be considered to determine Retail Supply tariff for sale of electricity to different categories of consumers of the distribution licensee which will be inclusive of wheeling charges.

Provided that till such time the accounts are segregated, as per provisions of these Regulations, the distribution licensee shall prepare an allocation statement to apportion costs and revenues to respective business. The allocation statement shall be approved by the Board of Directors of the distribution licensee and accompanied with an explanation of the methodology which should be consistent over the control period under these Regulations.

8. MYT APPROACH

- 8.1 **Base Line values-** The Commission shall determine baseline values for various financial and operational parameters of ARR for the control period taking into consideration such parameters approved by the Commission in the past, actual average figures of last three years, audited accounts, estimate of the figures for the relevant year, Industry benchmarks/norms and other factors as may be considered appropriate by the Commission;
- 8.2 **Control Period -** The second control period under Multi-Year Tariff framework shall be a period of five (5) years commencing from 1st April 2020.
- 8.3 The Aggregate Revenue Requirement (ARR) of the Distribution Business (wires) to be recovered through wheeling charges of the distribution licensee(s) shall comprise the following: -
- i) Interest on Term Loan
 - ii) Interest on normative Working Capital
 - iii) Interest on deposits from distribution system users
 - iv) Depreciation
 - v) Operation & Maintenance Expenses
 - vi) Return on average (opening + closing) Equity for the relevant year
 - vii) Provision for bad and doubtful debts as may be admitted by the Commissions subject to the ceiling of 0.5% of the account receivable as per the audited accounts of the relevant year.

Provided that the wheeling charges shall be net of i) Non-Tariff Income, ii) Income from Other Business (ARR - (Non-Tariff Income + Income from Other Business)). Non-Tariff Income shall include rent from land / building, sale of scrap, investment income, interest earned on advances to suppliers / contractors, rental income from staff quarter / guest houses, income from schedule of charges, income from supervision charges for capital works, income from sale of tender documents, income from advertisements etc.

Provided also, prior period income / expenses shall be allowed by the Commission at the time of truing-up based on the audited accounts on a case to case basis subject to prudence check. However, all penalties payable by the distribution licensee arising from Commission's order, courts / tribunal, CGRF / Ombudsman shall not be allowed to be recovered through ARR.

8.3.1 The method of recovery of the Distribution charges (wires business) shall either be on the basis of energy wheeled basis (Rs. kWh / kVAh) or on the basis of contracted capacity (Rs/kW/kVA/month) as considered appropriate by the Commission.

8.3.2 Distribution Loss (%) / Aggregate Technical & Commercial loss (%) shall be as determined by the Commission in the Order in the MYT petition filed by the power utilities.

Provided that for wheeling transactions, the voltage wise wheeling loss shall be determined by the Commission in the MYT petition filed by the power utilities.

Provided for the above, the voltage wise technical losses shall be projected by the power utilities based on system configuration and capital investment plan.

8.3.3 O&M Expenses (Wires Business) shall comprise of Employees Cost, Repair & Maintenance Expenses (R&M), Administrative & General Expenses (A&G).

Provided that between Distribution (Wires) and Retail Supply Business, the individual components of O&M Expenses shall be allocated, based on the segregated accounts/ allocation statement submitted by the Licensee

8.3.4 The Aggregate Revenue Requirement of the Retail Supply Business to be recovered through retail supply tariff of the distribution licensee(s) shall comprise the following: -

- i) Power Purchase Cost
- ii) Transmission Charges (Inter State & Intra State)
- iii) Interest (Term Loan and normative Working Capital Loan, Consumer Security Deposit)
- iv) Depreciation

- v) Operation & Maintenance Expenses
- vi) Provision for bad and doubtful debt subject to a ceiling of 0.5% of the account receivable as per the latest available audited accounts.
- vi) Return on Equity Capital

Provided that the ARR computed as per above shall be net of Non-Tariff Income, income from Other Business, receipts from cross - subsidy surcharge and additional surcharge etc.

Provided further that the prior period expenses shall be considered at the time of truing - up on a case to case basis subject to prudence check. However, all penalties payable by the distribution licensee arising from Commission's order, courts / tribunal, CGRF / Ombudsman shall not be allowed to be recovered through ARR.

Provided that the Commission shall determine the distribution / AT&C loss trajectory in the annual tariff Order after reviewing the actual losses including feeder wise loss levels in the FY 2019-20 and beyond.

8.3.5 Power Procurement: The distribution licensee shall procure power from the sources for which Power Purchase Agreement has been approved by the Commission. The power procurement plan shall be prepared incorporating aspects of peak support / peak shifting, ramping requirements, ancillary services, grid security and deviation management. This shall be done by way of including provision for Energy Storage Systems in the power procurement plan

Provided that for any procurement from medium to short term contracts that may be required, the distribution licensee(s) shall obtain prior approval of the Commission with supporting data / details along with proper justification.

Provided that the power procurement plan submitted for the control period shall comprise of quantitative forecast of quantum and cost of the unrestricted base load and peak load demand in its licensed area. An estimate of month wise availability of power to meet base load and peak load demand both in terms of megawatt (MW) and Million Units (kWh). The procurement plan shall inter-alia include action plan regarding energy conservation, energy efficiency and demand side management.

Provided further that the power procurement plan shall also include procurement of renewable energy or renewable energy certificate in case the available RE Sources are not sufficient to meet with the RPO trajectory as specified by the Commission including backlog, if any, allowed by the Commission during the previous year(s).

Provided that the Distribution licensee(s) shall share its power procurement plan with the State Transmission Utility in order to maintain consistency in the intra-state transmission system planning.

- 8.3.6 Power Purchase Agreement (PPA) - The Commission shall consider approval of PPA in the light of the approved power procurement plan either u/s section 86(1)(b) or 63 of the Act.

Provided that all such PPAs shall be submitted in the Commission with complete documentations and adherence to the relevant guidelines and policy. Further, no PPA / Supplementary Agreement shall be executed without the prior approval of the Commission.

Provided that the Commission shall approve the PPA as such or with appropriate modifications or reject the same after holding public / Stakeholders consultation on the same and if the same is not in conformity to the level of transparency required including competitiveness of the project or is found to be in violation of relevant statute / guidelines, the same shall not be admitted and rejected outrightly.

- 8.3.7 The O&M norms for the retail supply business shall be same as in the case of Distribution (Wires) business.

8.3.8 Controllable and Uncontrollable items of ARR

- (a) For the purpose of this Regulation, the items of ARR shall be identified as 'controllable' or 'uncontrollable'. The variation on account of uncontrollable items shall be treated as a pass-through subject to prudence check/validation and approval of the Commission;

Provided that the Commission may allow variations in controllable items on account of Force Majeure events, as defined under these Regulations and also those attributable to uncontrollable factors as pass-through in the ARR for the ensuing year based on actual values submitted by the generating company and licensees and subsequent validation and approval by the Commission during true-up.

- (b) The items in the ARR shall be treated as 'controllable' or 'uncontrollable' as follows: -

ARR Element	Controllable/ Uncontrollable
Interest and Finance Charges	Controllable
Return on Equity	Controllable
Availability	Controllable
Plant availability factor	Controllable

ARR Element	Controllable/ Uncontrollable
Heat Rate	Controllable
Auxiliary Energy Consumption	Controllable
Secondary Fuel Oil Consumption (SFC)	Controllable
O&M Expenses (excluding terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance due to inflation)	Controllable
Terminal liabilities with regard to employees on account of changes in pay scales or dearness allowance due to inflation	Uncontrollable
Depreciation	Controllable
Transit loss of coal	Controllable
Capital Expenditure	Controllable
All statutory levies and taxes, if any excluding tax on Income	Uncontrollable
Fuel Price (excluding that pertaining to domestic coal procured through e-auction/open market and imported coal)	Uncontrollable
Fuel Price pertaining to domestic coal procured through e-auction /open market and imported coal	Controllable
GCV of Fuel (excluding domestic coal procured through e-auction/open market and imported coal)	Uncontrollable
GCV of domestic coal procured through e-auction/open market and imported coal	controllable
Distribution Losses (technical and commercial including bad debts)	Controllable

ARR Element	Controllable/ Uncontrollable
Collection Efficiency	Controllable
Energy Sales(excluding interstate and inter Discom energy sales)	Uncontrollable
Interstate and inter Discom energy sales	Controllable
Power Purchase Price (other than for short-term power purchase and UI)	Uncontrollable
Power Purchase Price for short-term power and UI	Controllable
Power Purchase Quantum (MU)	Controllable
Intra State Transmission losses	Controllable
Quality of Supply as per Standard of Performance unless exempted	Controllable
Non-Tariff income	Uncontrollable

8.4 Norms: Commission shall determine norms for 'controllable' items and where the performance of the utilities for their respective businesses is sought to be improved upon through incentive and penalty framework, trajectory for specific variables may be stipulated. The variations in the controllable items over and above the specified norms will be governed by incentive and penalty framework specified in these Regulations.

8.5 Forecast of expected revenue from tariff: The applicant shall develop forecasting mechanism of expected revenue from tariff and charges and submit the same along with complete supporting details, including but not limited to the details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies or secondary research and contractual arrangements, to enable the Commission to assess the reasonableness of the forecast.

9. CAPITAL INVESTMENT PLAN

9.1 The generating company and the licensees, in respect of their respective businesses, shall file, for approval of the Commission, a capital investment plan along with the MYT petition for a period covering at least the entire control period. The capital investment plan shall be project/scheme wise and for each scheme/project shall include:

- (a) Purpose of investment
- (b) Capital Structure;
- (c) Capitalization Schedule;
- (d) Financing Plan including identified sources of investment;
- (e) Details of physical parameters / targets;
- (f) Cost-benefit analysis and payback period;
- (g) Envisaged reduction in O&M cost/losses;
- (h) Ongoing projects that will spill into the year under review and new projects (along with justification) that will commence but may be completed within or beyond the control period.

9.2 Purpose of investment shall include:

- (i) for a generation company- generation capacity growth, replacement of assets, renovation and modernization, reduction in average per unit cost of generation etc;
- (ii) for a transmission licensee- power evacuation, system augmentation, network expansion, replacement of assets, reduction in transmission losses, improvement in transmission service and reliability of supply, reduction in per MW transmission cost, integration of renewable energy sources, congestion management, frequency and voltage regulation, IT related projects etc.
- (iii) for a distribution licensee- meeting load growth/ sales forecast (MUs), distribution loss reduction, non-technical loss reduction, replacement of assets, meeting reactive energy requirements, managing peak shifting requirements, congestion management, frequency and voltage regulation, improvement in metering, consumer services, collection efficiency, quality and reliability of supply etc.

Note: The Capital Investment by transmission licensee(s) in network expansion shall be based on load flow studies and in accordance with the requirements of Haryana Grid Code.

9.3 The capital investment plan, in case of a generation company, will be commensurate with generation capacity growth, renovation & modernization requirements etc.

In case of a transmission licensee, the capital investment plan will be commensurate with load/generation capacity growth and will be linked to improvement in quality of transmission service, reliability, metering and reduction in transmission losses.

The capital investment plan in case of a distribution licensee shall be commensurate with sales forecast (MUs) / load growth of the state, distribution/non-technical loss reduction targets, improvements envisaged in metering, collection efficiency, reliability and quality of supply etc.

9.4 Capital Investment for renovation and modernization in case of a transmission licensee and a generation company shall be made through an application with a detailed project report (DPR) elaborating the following elements: (i) Complete scope and justification; (ii) Estimated life extension of the generation/transmission asset; (iii) Improvement in performance parameters; (iv) Cost-benefit analysis; (v) Phasing of expenditure; (vi) Milestones/Time lines (vii) Schedule of completion; (viii) Estimated completion cost; (ix) Other aspects.

9.5 Capital investment plan shall incorporate list of schemes in order of priority so as to enable the Commission to approve the schemes in that order and in case lesser amount of capital expenditure is to be approved then the schemes of lower priority could be disapproved

9.6 The generation company and licensee shall submit all information / data required by the Commission for approval of the capital investment plan.

9.7 In the normal course, the Commission shall not revisit the approved capital investment plan during the control period. However, during the mid-year performance review and true-up, the Commission shall monitor the year wise progress of the actual capital expenditure incurred by the generating company or the licensee vis-à-vis the approved capital expenditure and in case of significant difference between the actual expenditure viz-a-viz the approved expenditure, the Commission may true up the capital expenditure, subject to prudence check, as a part of annual true up exercise on or without an application to this effect by the generation company/licensee. The generating company and the licensee shall submit the scheme-wise actual capital expenditure incurred along with the mid-year performance review and true-up filing.

9.8 In case during the mid-year performance review, the actual cumulative capital expenditure incurred up to the current year starting from first year of the control period, is less by more than 10% of the approved cumulative capital expenditure, the Commission shall true-up the costs incidental to the actual capital expenditure in the current year and remaining years of the control period.

Provided that the actual capital expenditure incurred shall be only for the schemes as per the approved capital investment plan.

Provided that if the actual capital expenditure incurred is more than the approved capital expenditure, the Commission shall not allow any true-up of the cost incidental to such variations.

9.9 In case the capital expenditure is required due to Force Majeure events for works which have not been approved in the capital investment plan or for works that may have to be taken up to implement new schemes approved by the State/Central Govt., the generating company or the licensee shall submit an application containing all relevant information along with reasons justifying emergency nature of the proposed work seeking approval by the Commission. In the case of works or schemes, other than those required on account of Force Majeure events, the Commission shall consider to give approval only in those cases where the works / schemes are wholly / substantially financed by the State / Central Government or, in view of the Commission, shall benefit a large mass of consumers of the State. The generating company or the licensee may take up the work prior to the approval of the Commission only in case the delay in approval will cause undue loss and such emergency nature of the scheme has been certified by the Board of the Directors and intimated to the Commission:

Provided that the generating company or the licensee shall submit the requisite details, as required as per Regulation 9.1 above, within 10 days of the submission of the application for approval of emergency work;

Provided further that for the purpose of Regulation 9.7 and 9.8, such approved capital expenditure shall be treated as a part of actual capital expenditure incurred by the licensee as well as the capital expenditure approved by the Commission.

9.10 In case the capital expenditure incurred for approved schemes exceeds the amount as approved in the capital expenditure plan, the generating company or the transmission or the distribution licensee, as the case

may be, shall file an application with the Commission at the end of control period for trueing up the expenditure incurred over and above the approved amount. After prudence check, the Commission shall pass an appropriate order on case to case basis. The true-up application shall contain all the requisite information and supporting documents.

Provided that any additional capital expenditure incurred on account of time over run and / or on unapproved schemes not covered under Regulation 9.9 or unapproved changes in scope of approved schemes shall not be allowed by the Commission unless the generating company or the licensee, as the case may be, is able to give adequate justification for the same.

- 9.11 The generating company, transmission and the distribution licensees shall also provide a copy of their respective capital investment plans to each other at the time of filing of the same with the Commission so as to enable them to carry out planning and network augmentation / strengthening activities in a co-ordinated manner. The generating company, transmission and the distribution licensees shall, immediately after approval of their respective capital investment plans by the Commission, send copies of the same to each other. In addition to above the distribution licensee shall also provide a copy of its approved power procurement plan to the transmission licensee.
- 9.12 The generating company and transmission and distribution licensees shall, in general, extend all co-operation to each other by providing data /information required for carrying out planning and network augmentation / strengthening activities in a co-ordinated manner.
- 9.13 The Commission shall approve the capital investment plan within a period of 45 days from the date of its filing or submission of complete information, whichever is later.
- 9.14 For the purpose of second control period, the timeline for submission of business plan by the generating company and the licensees shall be as specified in Regulation 75 of these Regulations.

Provided that any capitalisation done by mere book entries / presentation in the financial statements in order to comply with any statute / rules etc. and not in accordance with the Capital Expenditure approved under these Regulations, shall not be allowed by the Commission. In such cases, the licensees / generating company shall be required to prepare memorandum account of any such capitalisation

done and submit the same along with ARR / Tariff petition. No RoE, depreciation interest cost etc. shall be allowable on the same.

9.15 To enable faster adoption of Electric vehicles in the State, the Utilities i.e., HPGCL, HVPNL, DHBVN and UHBVNL shall endeavour to set up Public Charging Station (PCS) for charging Electric Vehicles near to their Sub-Stations or any other appropriate place.

10. BUSINESS PLAN

- 10.1 The generating company and the licensee, in respect of their respective businesses, shall file for approval of the Commission a business plan for a period covering the entire control period along with the MYT petition. The business plan shall provide the details for each year of the control period.
- 10.2 The business plan for a generating company shall be based on planned generation capacity growth and shall contain among other things the following (i) generation forecasts; (ii) future performance targets; (iii) proposed efficiency improvement measures; (iv) saving in operating costs; (v) Plan for reduction in per unit/per MW cost of generation (vi) financial statements (which include balance sheet, profit and loss statement and cash flow statement) - current and projected (at least for the control period duration) along with basis of projections; (vii) any other new measure to be initiated by the Generating Company e.g. IT initiatives, third party energy audit etc.
- 10.3 The business plan for transmission licensee shall be based on proposed generation capacity addition and future load forecasts of the state and should contain among other things the following: (i) future plans/ performance targets of the company including efficiency improvement measures proposed to be introduced (ii) plans for meeting reactive power requirements; (iii) plan for reduction in transmission losses; (iv) plan for improvement in quality of transmission service and reliability; (v) metering arrangements; (vi) Plan for reduction in per MW transmission cost, (vii) financial statements (which include balance sheet, profit and loss statement and cash flow statement)-current and projected (at least for the period of control period duration) along with basis of projections; (viii) any other new measure to be initiated by the Licensee e.g. IT initiatives etc.
- 10.4 The business plan for distribution licensee shall be based on sales forecast (MUs)/load growth and should contain among other things the following: (i) future plans/ performance targets of the company including efficiency improvement measures proposed to be introduced (ii) plan for reduction in distribution and non-technical losses;(iii) plan for improvement in quality of supply and reliability; (iv) metering arrangements; (v) plan for improvement in

collection efficiency (vi) plan for improvement in consumer services/new consumer services (vii) Plan for reduction in O & M cost per MU of energy sales (viii) MIS; (ix) scheme for third party energy audit (x) plan for improvement in metering and billing; (xi) financial statements (which include balance sheet, profit and loss statement and cash flow statement)- current and projected (at least for the period of control period duration) along with basis of projections; (xii) any other new measure to be initiated by the Licensee(s) e.g. IT initiatives, development of distribution franchisee, periodical business satisfaction surveys etc.

- 10.5 In case the accumulated commercial losses of a generating company or the licensees have substantially eroded their respective paid up equity, the business plan shall also contain the proposal to progressively reduce the accumulated commercial losses indicating various measures, including re-capitalisation, proposed to be undertaken by the generation company/licensee to achieve turnaround of the company within a specified period.
- 10.6 The generation company and the licensee shall submit all information / data as required by the Commission for necessary approval of the business plan. The Commission shall scrutinize the business plan taking into consideration the additional information provided by the applicant, if any.
- 10.7 The Commission shall approve the business plan within a period of 45 days from the date of its filing or submission of complete information, whichever is later.
- 10.8 For the purpose of second control period, the timeline for submission of business plan by the generating company and the licensees shall be as specified in Regulation 75 of these Regulations.

11. MID-YEAR PERFORMANCE REVIEW AND TARIFF SETTING

- 11.1 The generating company and the licensee shall file an application for mid-year performance review, true-up of previous year and tariff for the ensuing year not less than 120 days before the close of each year of the control period, complete in all respects including the information in the existing formats as per present practice, till such time new formats are finalised by the Commission.
- 11.2 The generating company and the licensees, within 7 (seven) days of filing of the application for mid-year performance review and true-up, shall publish for information of the public, the contents of the application filed with the Commission for mid-year performance review, true up of previous year and approval of tariff for the ensuing year in an abridged form in such manner as the Commission may direct and shall provide copies of the application and

other documents filed with the Commission at a price not exceeding normal photocopying charges. The generating company and the licensees shall also host the application and other documents at their official websites.

- 11.3 The generating company and the licensee shall provide with the application for mid-year performance review the details of actual capital expenditure and details of any statutory levies and actual operational and cost data to enable the Commission to monitor the implementation of its order including comparison of actual performance with the approved forecasts (and reasons for deviations). In addition the generating company and the licensees shall also submit Annual Statement of Performance and Accounts of their respective businesses (indicating the plant-wise cost data, and unit-wise performance parameters in case of a generation company), a copy of latest audited accounts, analysis of detailed reasons for losses, if any, and any other information which the Commission may require to assess the reasons and extent of any variation in the performance from the approved forecast and the need for tariff resetting.
- 11.4 In their application for performance review, true-up and tariff for ensuing year, the generating company and the licensee shall submit information for the purpose of calculating expected expenditure and tariff along with information on financial and operational performance for the previous year(s). The information for the previous year should be based on audited accounts copies of which shall be supplied along with the application. In case audited accounts for the previous year are not available, audited accounts for the latest previous year should be filed along with unaudited accounts or provisional accounts for all the succeeding years. The application should also include the proposal for tariff revision, if any.
- 11.5 The scope of the mid-year performance review shall be a comparison of the performance of the generation company and the licensees for the relevant financial year with the approved forecast of ARR for their respective businesses and the performance targets specified by the Commission. Upon completion of the mid-year performance review and truing up as per Regulation 13, the Commission shall pass an order recording:
- (a) The revised approved ARR for such financial year including approved modifications, if any;
 - (b) The approved aggregate gain or loss on account of controllable items and sharing of such gains or losses;
 - (c) Truing-up or pass through of uncontrollable items of ARR of previous year(s);

- (d) Pass through of variations in controllable items due to force majeure events, if any.
- (e) Pass through of variations in controllable items attributable to uncontrollable factors.
- (f) Tariff applicable for the ensuing year.

11.6 “The Commission shall review/consider, during the control period, the application made under this Regulation as also the application for truing up of the ARR of the previous year, as per provision of the Regulation 13, on the same principles as approved in the MYT order on the original application for determination of ARR and tariff. The review / true-up for FY 2018-19 and FY 2019-20 shall, however, be done on the same principles as approved in the tariff order for FY 2018-19 and for FY 2019-20. Upon completion of such review/truing up, either approve the proposed modification with such changes as it deems appropriate, or reject the application for the reasons to be recorded in writing. The Commission shall afford opportunity of being heard to the affected party in case it considers rejecting the application.”

12. INCENTIVE AND PENALTY FRAMEWORK (Sharing of gains & losses)

12.1 Various elements of the ARR of the generating company and the licensee will be subject to incentive and penalty framework as per the terms specified in this Regulation. The overall aim is to incentivize better performance and penalize poor performance, with the base level as per the norms / benchmarks specified by the Commission.

12.2 The elements of ARR of generating company and licensees to which incentive and penalty framework shall apply are as follows:

(a) Common for generating company and licensees

- (i) **Operation & maintenance expenses**-Applicable when the actual expenses fall below or exceed the level specified by the Commission.
- (ii) **Interest on new long-term loans**- Applicable when interest rate falls below or exceeds the level specified by the Commission.
- (iii) **Restructuring of capital cost** - Applicable when there is a benefit from restructuring of capital cost.
- (iv) **Interest on working capital**- Applicable when interest rate falls below or exceeds the level specified by the Commission
- (vi) **Restructuring of loan portfolio**- Applicable when there is a net benefit from restructuring of loan portfolio

(b) Only for generation Company

- (i) **Plant Availability Factor (PAF)**- Applicable when actual PAF falls below or exceeds the level specified by the Commission
- (ii) **Station heat rate (SHR)**- Applicable when actual SHR falls below or exceeds the level specified by the Commission
- (iii) **Auxiliary Energy Consumption (AUX)**- Applicable when actual AUX falls below or exceeds the level specified by the Commission
- (iv) **Specific Fuel Oil Consumption (SFC)**- Applicable when actual SFC falls below or exceeds the level specified by the Commission
- (v) **Transit loss of coal**- Applicable when actual transit loss falls below or exceeds the level specified by the Commission

Note: Until the Intra-State ABT Regulations are notified by the Commission, plant availability factor for the generating company shall mean plant load factor

(c) Only for Transmission Licensee

- (i) **Availability**- Applicable when actual availability falls below or exceeds the level specified by the Commission. The incentive for actual availability above target availability shall be worked out as per the following formula:

$$I = ATC \times (AA - TA) / TA$$

Where

I = Incentive

ATC = Annual transmission charges

AA = Annual availability achieved (actual)

TA = Normative target availability.

Note 1: The incentive mechanism for availability shall be applicable only when the transmission licensee submits detailed computation of the availability figures to the Commission and the Commission approves the same. The detailed computation will include all details of the input data, methods of recording the data (manual or through electronic modes), formula used for computation and all other details required to establish the current level of availability.

While reporting the level of availability to the Commission, the transmission licensee shall enclose a certificate from the SLDC validating the indicated level of availability.

Note 2: For all purposes the 'normative target availability factor' shall be considered for recovery of fixed charges. Any fall in the actual availability from

the normative target availability shall result in pro-rata reduction of fixed charges.

(d) Only for Distribution Licensee

(i) **Distribution losses** - Applicable when actual distribution losses fall below or exceed the level specified by the Commission

(ii) **Collection efficiency**- Applicable when actual collection efficiency falls below or exceeds the level specified by the Commission

(iii) **Recovery of arrears** - Applicable when actual recovery of arrears of previous years falls below or exceeds the targets specified by the Commission

12.3 The gains / losses shall be computed item wise separately for each business. The computations shall be based on the data submitted by the generating company and the licensees in the application for mid-year performance review / true - up and audited annual accounts corresponding to the financial year.

12.4 In case of gain

The item wise gain shall be shared between the generating company or the licensee, as the case may be, and their respective beneficiaries in the ratio of 50:50. However, the sharing ratio of 50:50 may be revised to a maximum of 60:40 at the time of true-up during mid-year performance review / true-up. The manner of utilization of the additional 10% gain shall be specified by the Commission from time to time.

12.5 In case of loss

12.5.1 The item wise losses on account of controllable factors in case of a distribution licensee shall be dealt with in the following manner:

(a) The loss to the Distribution Licensee on account of Distribution losses, as may be admitted by the Commission after prudence check, shall be dealt with as under:

(i) One-third of the amount of such loss may be passed on as an additional charge in tariff over such period as may be specified in the Order of the Commission; and

(ii) The balance amount of loss shall be absorbed by the Distribution Licensee.

(b) The item wise losses on account of other controllable factors, unless otherwise specifically provided by the Commission, shall be borne by the distribution licensee.

12.5.2 The item wise losses on account of controllable factors in case of a generation company/transmission licensee, unless otherwise specifically provided by the Commission, shall be borne by the generation company/ transmission licensee.

13. TRUING-UP

13.1 Truing-up of the ARR of the previous year shall be carried out along with mid-year performance review of each year of the control period only when the audited accounts in respect of the year(s) under consideration is submitted along with the application. In case audited accounts pertaining to the year, of which truing-up is to be undertaken, are not available, the generating company or the licensee as the case may be, shall submit the provisional account duly approved by the Board of Directors of the company/licensee.

13.2 Truing-up of uncontrollable items shall be carried out at the end of each year of the control period through tariff resetting for the ensuing year and for controllable items shall be done only on account of force majeure conditions and for variations attributable to uncontrollable factors.

13.3 The Commission shall allow carrying costs for the trued-up amount (positive or negative) at the interest rates specified in these Regulations by adjusting the interest allowed on the working capital requirement for the relevant year of the control period.

Upon completion of the mid-year performance review and truing up in accordance with these regulations, the Commission shall pass an order recording:

(a)The revised ARR for such financial year including approved modifications, if any;

(b)Holding cost for under/over recovered amount from the close of the relevant year and upto the middle of the ensuing year of the control period whereupon the trued-up amount has been adjusted by appropriate resetting of tariff in accordance with regulation 13.4, calculated as additional borrowing for working capital for that period.

Provided that no carrying cost shall be allowed on account of delay in filing for true-up due to unavailability of the audited accounts.

13.4 Over or under recoveries of trued-up amount in previous year(s) of the control period shall be allowed to be adjusted in the ensuing year of the control period by appropriate resetting of tariff. The unrecovered amount

in the one control period shall be adjusted in the subsequent control period.

14. REVIEW AT THE END OF THE CONTROL PERIOD

- 14.1 At the end of the second control period, the Commission shall review the achievement of objectives and implementation of the principles of MYT laid down in these Regulations.
- 14.2 To meet the objectives of the Act, the National Electricity Policy and National Tariff Policy, the Commission may revise the principles of MYT for the third and subsequent control periods.
- 14.3 The end of the second control period shall be the beginning of the third control period. The generating company and the licensee shall follow the same procedure unless specified otherwise by the Commission. The Commission shall analyse the performance with respect to the targets set out at the beginning of the control period and shall determine the base values for the next control period on the basis of actual performance achieved, expected improvement and other relevant factors.

**PART III - COMPONENTS OF ARR AND TARIFF FOR GENERATION,
TRANSMISSION AND DISTRIBUTION BUSINESS**

15. COMPONENTS OF TARIFF FOR GENERATION BUSINESS

15.1 The tariff for sale of electricity from a thermal generating plant shall comprise of two parts, namely,

- a. Annual fixed charges (Capacity charges)
- b. Variable charges (Energy Charges)

15.2 Both the components will be worked out in the manner provided in these Regulations.

15.3 The fixed cost of generating plant (thermal or hydro) shall include the following elements:

- a) Return on equity
- b) Interest and financing charges on loan capital
- c) Interest on working capital
- d) Depreciation
- e) Operation and maintenance expenses
- f) Foreign exchange rate variation, if any
- g) All statutory levies and taxes, if any, excluding taxes on income,

15.4 The Energy Charges (or variable charges) for a generating plant (thermal) shall comprise of primary and secondary fuel cost.

15.5 For the hydro plants i.e. Western Yamuna Canal Hydro project, Bhudkalan and Kakroi Hydro Plants, however, a single part tariff, based on a normative PLF and fixed cost worked out as per Regulation 34 hereinafter, may be determined by the Commission. Unless otherwise the Commission considers it appropriate to determine the same under HERC RE Regulations in vogue.

16. COMPONENTS OF TARIFF FOR TRANSMISSION AND SLDC BUSINESS

16.1 The following charges shall be recovered for the use of intra-state transmission system:

- a) **Transmission tariff or network usage charges**, to reflect the cost of owning (Capital Investment), servicing and maintaining the transmission assets in order to transfer bulk power to and from different locations. The network usage charges or transmission tariff, payable by the beneficiaries of the transmission system shall be designed to recover the Aggregate Revenue

Requirement of the transmission licensee approved by the Commission for each year of the control period;

b) **Reactive energy charges**, to reflect the voltage related drawl of reactive energy as provided in the Regulations hereinafter.

(c) Short-term open access consumers shall pay the charges for usage of Transmission system in terms Rs per kWh as specified in third proviso of regulation 50 (b).

16.2 **SLDC charges**, to reflect the cost of operating the State Load Dispatch Centre (SLDC) including the cost of owning & maintaining it. These shall be levied as SLDC charges to the beneficiaries of the services of SLDC in accordance with the provisions of these Regulations

16.3 The ARR's for the transmission business and SLDC business comprise of only fixed costs which shall have the following components:

- a) Return on equity (only for transmission business)
 - b) Interest and financing charges on Debt
 - c) Interest on working capital
 - d) Depreciation
 - e) Operation and maintenance expenses
 - f) Foreign exchange rate variation, if any
 - g) All statutory levies and taxes, if any, excluding taxes on income,

16.4 The transmission licensee, including the STU, *shall submit ARRs separately for transmission business and SLDC business and shall provide all the above information based on the segregated accounts for its transmission business and for State Load Dispatch Centre (SLDC), a copy of which shall be submitted to the Commission along with the application for tariff determination/review. .*

16.5 **Connection charge**- A consumer or a person seeking connectivity to the transmission system for Open Access shall pay 'connection charge' to the transmission licensee as provided in HERC (Terms and condition for grant of connectivity and open access for intra-State transmission and distribution system) Regulations, 2012 as amended from time to time. Connection charges relate to cost of assets installed solely for the use by an individual user and cost of such assets shall not be considered for determination of transmission tariff.

17. COMPONENTS OF TARIFF FOR DISTRIBUTION AND RETAIL SUPPLY BUSINESS

17.1 For distribution licensees, the commission shall determine (i) retail supply tariff for their retail supply business i.e. sale of electricity to the

consumers in their respective licensed areas which will be inclusive of wheeling charges and (ii) wheeling tariff for their wheeling business which shall be for the purpose of recovering wheeling charges from open access consumers falling in their respective licensed areas.

17.2 The ARR of the distribution licensee for retail supply business and wheeling business will comprise the following elements:

ARR for Retail supply business	ARR for Wheeling business
<u>A - Expenses</u>	<u>A - Expenses</u>
<ul style="list-style-type: none"> a) Return on equity b) Interest and financing charges on loan capital c) Interest on working capital d) Depreciation e) Operation and maintenance expenses f) Foreign exchange rate variation, if any g) All statutory levies, and taxes including taxes on income, if any h) Bad and doubtful book debt allowed to be written off i) Cost of power purchase j) Transmission charges k) any other expenses not mentioned above. 	<ul style="list-style-type: none"> a) Return on equity b) Interest and financing charges on loan capital c) Interest on working capital d) Depreciation e) Operation and maintenance expenses f) Foreign exchange rate variation, if any g) All statutory levies and taxes, if any, excluding taxes on income, h) any other expenses not mentioned above
Total expenses - A	Total expenses - A
<u>B - Income / receipts:</u>	<u>B - Income / receipts:</u>
<ul style="list-style-type: none"> a) Non - tariff income including revenue from various surcharges b) Income from other business in accordance with HERC Regulations, 2007 as amended from time to time. c) Income from cross subsidy surcharge from open access consumers d) Income from additional surcharge from open access consumers e) Any grant, subvention, subsidy etc 	<ul style="list-style-type: none"> a) Non - tariff income b) Income from other business, to the extent specified for wheeling tariff <p>Total Income / receipts - B</p>

provided by the State Government

Total Income / receipts - B

ARR for Retail supply business =

(A - B)

ARR for Wheeling business =

(A - B)

**PART IV- GENERAL PRINCIPLES FOR DETERMINATION OF COMMON
COMPONENTS OF ARR AND TARIFF FOR GENERATION,
TRANSMISSION & DISTRIBUTION BUSINESS**

18. CAPITAL COST

- (1) The Capital cost as admitted by the Commission after prudence check and subject to debt-equity ratio as per provisions of these Regulations, shall form the basis of determination of tariff for new power projects.

Provided that where the power purchase agreement entered into between the generating Company and the beneficiaries or transmission service agreement entered into between transmission licensee and the long-term transmission consumer, as the case may be, provides for a ceiling of actual expenditure, the capital expenditure shall not exceed such ceiling for determination of tariff;

Provided further that any person intending to establish, operate and maintain a generating plant may make an application before the Commission for 'in principle' acceptance of the project capital cost and financing plan before taking up a project. The petition shall contain information regarding salient features of the project including the capacity, location, site specific features, fuel, beneficiaries, break-up of the capital cost estimates, financial package, schedule of commissioning, reference price level, estimated completion cost including foreign exchange components, if any, consent of beneficiary licensees to whom the electricity is proposed to be sold etc;

Provided also 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;

- (2) The Capital Cost of a new project shall include the following:

(a) the expenditure incurred or projected to be incurred up to the date of Commercial operation of the project;

(b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed;

(c) Increase in cost in contract packages as approved by the Commission;

(d) Interest during construction and incidental expenditure during construction as computed in accordance with these Regulation.

(e) capitalised Initial spares subject to the ceiling rates, as a percentage of the original Plant and Machinery cost as on the cut-off date, as specified below: -

Generating Company	1. Coal-based generating plants:	2.50%
	2. Gas Turbine / Combined Cycle generating plants	4.00%
	3. Hydro Generation Plants	1.50%
Transmission licensee	1. Transmission lines	0.75%
	2. Transmission substations	2.50%
	3. Series compensation devices and HVDC stations	3.50%
Distribution licensee	Distribution Business Projects	1.50%

Provided that:

(i) where the generating station has any transmission equipment forming part of the generation project, the ceiling norms for initial spares for such equipment shall be as per the ceiling norms specified for transmission system under these Regulations:

(ii) once the transmission project is commissioned, the cost of initial spares shall be restricted on the basis of plant and machinery cost corresponding to the transmission project at the time of truing up:

(iii) for the purpose of computing the cost of initial spares, plant and machinery cost shall be considered as on cut-off date excluding IDC, IEDC, Land Cost and cost of civil works. The generator/licensee shall submit the breakup of head wise IDC & IEDC in its tariff application.

(f) expenditure on account of additional capitalization and de-capitalisation determined in accordance with these Regulation;

(g) any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period as approved by the Commission.

(h) adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the COD as specified under these Regulations; and

- (i) adjustment of any revenue earned by using the assets before COD.
- (3) The capital cost in case of a new hydro generating station shall also include:
- (a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and
 - (b) cost of the developer's 10% contribution towards Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) project in the affected area.
- (4) The capital cost with respect to thermal generating station, incurred or projected to be incurred on account of the Perform, Achieve and Trade (PAT) scheme or to achieve Environmental Norms / Statutory Norms of Government of India will be considered by the Commission on case to case basis and shall include:
- (a) cost of plan proposed by developer in conformity with norms of PAT Scheme; and
 - (b) sharing of the benefits accrued on account of PAT Scheme.
- (5) The following shall be excluded or removed from the capital cost of the existing and new project:
- (a) The assets forming part of the project, but not in use;
 - (b) Decapitalisation of Asset;
 - (c) In case of hydro generating station any expenditure incurred or committed to be incurred by a project developer for getting the project site allotted by the State government by following a two-stage transparent process of bidding; and
 - (d) the proportionate cost of land which is being used for generating power from generating station based on renewable energy:
- Provided that any grant received from the Central or State Government or any statutory body or authority for the execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;
- (6) Capital cost to be allowed by the Commission for the purpose of determination of tariff for respective businesses will be based on the capital investment plan prepared by the generating company or the licensee, as the case may be, and approved by the Commission prior to the filing of application for multiyear tariff by the generating company/licensees.
- (7) Restructuring of capital cost in terms of relative share of equity and loan component, subject to provisions of Regulation 19, shall be permitted during the tariff period provided it does not affect tariff adversely. Any benefit from such

restructuring shall be subjected to incentive / penalty framework as per Regulation 12.

- (8) The amount of any contribution made by the consumers, open access consumers and Government subsidy towards works for connection to the distribution system or transmission system of the distribution /transmission licensee, shall be deducted from the original cost of the project for the purpose of calculating the amount under debt and equity under these Regulations.

18.1 Prudence Check of Capital Expenditure:

A. Generating Company or the Transmission Licensee

Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure exceeds the actual additional capital expenditure incurred on year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term transmission customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with interest at 1.20 times of the bank rate as prevalent on 1st April of the respective year.

Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure falls short of the actual additional capital expenditure incurred by more than 10% on year to year basis, the generating company or the transmission licensee shall recover from the beneficiaries or the long term customers as the case may be, the shortfall in tariff corresponding to difference in additional capital expenditure, as approved by the Commission, along with interest at the bank rate as prevalent on 1st April of the respective year.

B. Distribution Licensee

Any excess tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization by more than 10% during the year, shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate at 1.20 times of the bank rate prevalent on 1st April of respective year:

Provided that any excess tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization due to reasons beyond the control of the Distribution Licensee i.e., delay in 'In-principle' approval of the schemes, road cutting permission from the concerned agencies etc., shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate equal to bank rate prevalent on 1st April of respective year.

Any shortfall in tariff recovered on account of variation in projected capitalization in the tariff order vis-a-vis trued up capitalization by more than 10% during the year, shall be adjusted in the Revenue Gap/Surplus of the relevant year along with interest rate at 0.80 times of the bank rate prevalent on 1st April of respective year.

The following principles shall be adopted for prudence check of capital cost of the existing or new projects:

(1) In case of the thermal generating station and the transmission system, prudence check of capital cost may be carried out taking into consideration the benchmark norms specified/to be specified by the Commission from time to time:

Provided that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the capital expenditure, financing plan, interest during construction, incidental expenditure during construction for its reasonableness, use of efficient technology, cost over-run and time over-run, competitive bidding for procurement and such other matters as may be considered appropriate by the Commission for determination of tariff:

Provided further that in cases where benchmark norms have been specified, the generating company shall submit the reasons for exceeding the capital cost from benchmark norms to the satisfaction of the Commission for allowing cost above benchmark norms.

(2) The Commission may issue new guidelines or at its discretion, get the capital cost of any project, vetted by an independent agency or an external expert. However, the same shall be considered as guiding factor only and not binding on the Commission as such.

(3) The Commission may issue new guidelines or revise the existing guidelines for scrutiny and approval of commissioning schedule of the hydro-electric projects in accordance with the tariff policy issued by the Central Government under section 3 of the Act from time to time which shall be considered for prudence check.

(4) Where the power purchase agreement entered into between the generating company and the beneficiaries provides for ceiling of actual capital expenditure, the Commission shall take into consideration such ceiling for determination of tariff for prudence check of capital cost.

C. Interest during construction (IDC), Incidental Expenditure during Construction (IEDC)

(A) Interest during Construction (IDC)

(1) Interest during construction shall be computed corresponding to the loan from the date of infusion of debt fund, and after considering the prudent phasing of funds up to SCOD.

(2) In case of additional costs on account of IDC due to delay in achieving the SCOD, the generating company or the licensee as the case may be, shall be required to furnish detailed justifications with supporting documents for such delay including prudent phasing of funds:

Provided that if the delay is not attributable to the generating company or the licensee as the case may be, and is due to uncontrollable factors as specified in these Regulations, IDC may be allowed after due prudence check:

Provided further that only IDC on actual loan may be allowed beyond the SCOD to the extent, the delay is found beyond the control of generating company , after due prudence and considering prudent phasing of funds.

(B) Incidental Expenditure during Construction (IEDC):

(1) Incidental expenditure during construction shall be computed from the zero date and after considering pre-operative expenses upto SCOD:

Provided that any revenue earned during construction period up to SCOD on account of interest on deposits or advances, or any other receipts may be considered for reduction in incidental expenditure during construction.

(2) In case of additional costs on account of IEDC due to delay in achieving the SCOD, the generating company or the transmission licensee as the case may be, shall be required to furnish detailed justification with supporting documents for such delay including the details of incidental expenditure during the period of delay and liquidated damages recovered or recoverable corresponding to the delay:

Provided that if the delay is not attributable to the generating company or the transmission licensee, as the case may be, and is due to uncontrollable factors, IEDC may be allowed after due prudence check:

Provided further that where the delay is attributable to an agency or contractor or supplier engaged by the generating company or the transmission licensee, the liquidated damages recovered from such agency or contractor or supplier shall be considered for computation of capital cost.

(3) In case the time over-run beyond SCOD is not admissible after due prudence, the increase of capital cost on account of cost variation corresponding to the period of time over run may be excluded from capitalization irrespective of price variation provisions in the contracts with supplier or contractor of the generating company.

Provided that following shall be considered as controllable and uncontrollable factors leading to cost escalation impacting Contract Prices, IDC and IEDC of the project:

(1) The “controllable factors” shall include but shall not be limited to the following:

(a) Variations in capital expenditure on account of time and/or cost over-runs on account of land acquisition issues;

(b) Efficiency in the implementation of the project not involving approved change in scope of such project, change in statutory levies or force majeure events; and

(c) Delay in execution of the project on account of contractor, supplier or agency of the generating company or transmission licensee.

(2) The “uncontrollable factors” shall include but shall not be limited to the following:

(i) Force Majeure events; and

(ii) Change in law.

Provided that no additional impact of time overrun or cost over-run shall be allowed on account of non-commissioning of the generating station or associated transmission system by SCOD, as the same should be recovered through Implementation Agreement between the generating company and the transmission licensee:

Provided further that if the generating station is not commissioned on the SCOD of the associated transmission system, the generating company shall bear the IDC [and IEDC] or transmission charges if the transmission system is declared under commercial operation.

Provided also that if the transmission system is not commissioned on SCOD of the generating station, the transmission licensee shall arrange the evacuation from the generating station at its own arrangement and cost till the associated transmission system is commissioned.

18.2 Additional capitalization

18.2.1 The Commission may consider allowing, subject to prudence check, any additional capital expenditure incurred or projected to be incurred, after the commercial operation date of a project and up to the cut-off date, on the following provided the same was part of the original scope of work of the project:

- (a) Deferred liabilities without any carrying cost;
- (b) Works deferred for execution without any escalation;
- (c) Procurement of initial capital spares in the original scope of work without any escalation, subject to ceiling specified above;
- (d) Foreign exchange rate variation
- (e) Liabilities to meet award of arbitration provided that it is not on account of any fault of the generation company or the licensee, as the case may be;
- (f) Liabilities on account of compliance of the order or decree of a court;
- (g) Liabilities on account of change in law:

Provided that details of the works included in the original scope of work along with estimates of expenditure, un-discharged liabilities and works deferred for execution shall be submitted along with the application for determination of tariff after the date of commercial operation of the project;

18.2.2 The Commission may consider admitting, after prudence check, the capital expenditure of the following nature actually incurred after the cut-off date:

- (a) Deferred liabilities relating to works / services within the original scope of work without any escalation;
- (b) Liabilities to meet award of arbitration provided that it is not on account of any fault of the generation company or the licensee, as the case may be;
- (c) Liabilities on account of compliance of the order or decree of a court;
- (d) Liabilities on account of change in law;
- (e) Any additional works / services which have become necessary for efficient and successful operation of the project, but not included in the original project cost;

18.2.3 Impact of additional capitalization in tariff revision within the approved project cost shall be considered by the Commission once during a particular financial year of the control period.

18.2.4 In case of a transmission licensee, any additional expenditure on items such as relays, control & instrumentation, computer system, power line carrier communication, DC batteries, replacement of switchyard equipment due to increase of fault level, emergency restoration system, insulators cleaning infrastructure, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system may be admitted by the commission subject to prudence check provided that such replacement has not been necessitated due to any fault attributable to the transmission licensee :

Provided that any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air conditioners, voltage stabilizers, refrigerators, coolers, fans washing machines, heat convectors, mattresses, carpets etc. bought after the cut-off date shall not be considered for additional capitalization for determination of tariff.

Note1: Any expenditure admitted on account of committed liabilities within the original scope of work and the expenditure deferred on techno-economic grounds but falling within the original scope of work shall be serviced in the normative debt-equity specified in these Regulations;

Note2: Any expenditure on replacement of old assets or renovation and modernization or life extension shall be considered after excluding the entire depreciated value or value of the scrap, whichever is higher, of the original assets from the original capital cost of the assets replaced;

Note3: Any expenditure admitted by the Commission for determination of tariff on account of new works not in the original scope of work shall be serviced in the normative debt-equity specified in these Regulations.

18.2.5 Provided also that if any expenditure has been claimed under Renovation and Modernization (R&M), repairs and maintenance under O&M expenses and Compensation Allowance, same expenditure cannot be claimed under this Regulation.

18.2.6 In case of de-capitalization of assets of a generating company or the transmission licensee, as the case may be, the original cost of such asset as on the date of decapitalization shall be deducted from the

value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalization takes place, duly taking into consideration the year in which it was capitalized.

18.2.7 The scrutiny of the project cost estimates by the Commission shall include the reasonableness of the capital cost, financing plan, interest during construction, use of efficient technology and such other matters for the purposes of determination of tariff.

18.3 Renovation and Modernization:

(1) The generating company or the transmission licensee, as the case may be, for meeting the expenditure on renovation and modernization (R&M) for the purpose of extension of life beyond the originally recognized useful life for the purpose of tariff of the generating station or a unit thereof or the transmission system or an element thereof, shall make an application before the Commission for approval of the proposal with a Detailed Project Report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, and any other information considered to be relevant by the generating company or the transmission licensee.

(2) Where the generating company or the transmission licensee, as the case may be, makes an application for approval of its proposal for renovation and modernization, the approval shall be granted after due consideration of reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission.

(3) In case of gas/ liquid fuel based open/ combined cycle thermal generating station, any expenditure which has become necessary for renovation of gas turbines/steam turbine after 25 years of operation from its COD and an expenditure necessary due to obsolescence or non-availability of spares for efficient operation of the stations shall be allowed:

Provided that any expenditure included in the R&M on consumables and cost of components and spares which is generally covered in the O&M expenses during the major overhaul of gas turbine shall be suitably deducted after due prudence from the R&M expenditure to be allowed.

(4) Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on the estimates of renovation and modernization expenditure and life extension, and after deducting the accumulated

depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

19. DEBT EQUITY RATIO

19.1 Existing projects - In case of the existing projects declared under commercial operation prior to 1st April 2020, debt-equity ratio as allowed by the Commission for determination of tariff for the period ending 31st March 2020 shall be considered.

19.2 New projects - For new projects commissioned or whose capacity is expanded on or after 1st April 2020:

- (a) A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;
- (b) In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;
- (c) In case the actual equity employed is less than 30%, then the actual debt-equity ratio shall be considered;
- (d) The premium, if any, raised by the generating company or the licensee while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity subject to the normative debt equity ratio of 70:30, provided such premium amount and internal accruals are actually utilized for meeting capital expenditure and form part of the approved financial package. For the purposes of computation of return, the portion of free reserves utilized for meeting the capital expenditure shall be considered from the date the asset created is productively deployed in the business.

19.3 Renovation and modernization

Any approved capital expenditure incurred by the generating company or the licensee on renovation and modernization of project (to be submitted as part of the capital investment plan) shall be considered to be financed at normative debt-equity ratio of 70:30. If the actual equity employed is less than 30%, then the actual debt equity ratio, subject to lower limit as per company law, shall be considered.

Provided that:

In case of de-capitalisation or retirement or replacement of 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 the de-capitalised or retired or replaced asset, and the debt capital approved as mentioned above, shall be reduced to the extent of actual debt component, based on documentary evidence, of the original cost of the decapitalised or retired or replaced asset:

In case of Generating Station or a transmission system or distribution system, which has completed its useful life as on or after 1.4.2020, the accumulated depreciation as on the completion of the useful life less cumulative repayment of loan shall be utilized for reduction of the equity and depreciation admissible after the completion of useful life and the balance depreciation, if any, shall be first adjusted against the repayment of balance outstanding loan and thereafter shall be utilized for reduction of equity.

20. RETURN ON EQUITY

20.1 The rate of return on equity shall be decided by the Commission keeping in view the incentives and penalties and on the basis of overall performance subject to a ceiling of 14% provided that the ROE shall not be less than the net amount of incentive and penalty.

20.2 Return on equity shall be allowed on equity employed in assets in use considering the following and subject to Regulation 20.1 above:

- i. Equity employed in accordance with Regulation 19.1 and 19.2 on assets (in use) commissioned prior to the beginning of the year; plus
- ii. 50% of equity capital portion of the allowable capital cost for the assets put to use during the year.

Provided that for the purpose of truing up, return on equity shall be allowed from the COD on pro-rata basis based on documentary evidence provided for the assets put to commercial operation during the year.

Provided further that assets funded by consumer contributions, capital subsidies/Govt. grants shall not form part of the capital base for the purpose of calculation of Return on Equity

20.3 Return on equity invested in work in progress shall be allowed from the actual date of commercial operation of the assets.

20.4 There shall be no Return on Equity for the equity component above 30%.

21. INTEREST ON LOAN CAPITAL

21.1 Existing loans

- (i) Interest on loan capital shall be computed loan-wise for existing loans arrived in a manner specified in Regulation 19 and shall be as per the rates approved by the Commission.
- (ii) The loan outstanding as on 1st April of each financial year shall be worked out as the gross loan in accordance with Regulation 19 by deducting the cumulative repayment as admitted by the Commission up to 31st March of previous financial year from the gross normative loan;
- (iii) The rate of interest shall be the weighted average rate of interest on institutional loans calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project. In case the weighted average rate is not available, the interest rate approved by the Commission in its earlier tariff order shall be allowed.

Provided 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 shall be considered;

Provided further that if the generating plant/project does not have actual loan, then the weighted average rate of interest of the generating company/licensee as a whole shall be considered.

- (iv) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest;
- (v) The generating company and the licensee shall from time to time review their capital structure i.e. debt and equity and make every effort to restructure the loan portfolio as long as it results in net savings on interest. The costs associated with such re-financing shall be borne by the beneficiaries and the net savings (after deducting the cost of re-financing) shall be subjected to incentive / penalty framework as mentioned in the Regulation 12 which shall be dealt with at the time of mid-year performance review/true-up.
- (vi) The changes to the loan terms and conditions shall be reflected from the date of such re-financing and benefit passed on to the beneficiaries;
- (vii) In case of any dispute relating to re-financing of loan, any of the parties may approach the Commission with proper application along with all the relevant details. During the pendency of any dispute, the beneficiaries shall not withhold any payment on account of orders issued by the Commission.

- (viii) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

Provided that the repayment for each year of the control period shall be deemed to be equal to the depreciation allowed for the corresponding year.

21.2 New loans (on or after 1st April 2020)

- (i) Rate of interest on new loans i.e. on or after 01.04.2020 shall be equal to the marginal cost of funds-based lending rate (MCLR) of the SBI plus a maximum of 150 basis points w.r.t.1st April of the relevant financial year. They shall however, be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest.

Provided that interest and finance charges on works in progress shall be excluded and shall be considered as part of the capital cost;

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff

- (ii) Any variation above or below the allowed interest rate shall be subject to the incentive and penalty framework specified in Regulation 12. The incentives on refinancing should be net of costs.
- (iii) The amount of loan shall be arrived in the manner as specified in Regulation 19 and shall be based on the approved capital investment plan.
- (iv) In case any moratorium period on repayment of loan is availed of by the generating company or the licensee, depreciation provided for in the tariff during the years of moratorium shall be treated as repayment during those years and interest on loan capital shall be calculated accordingly.

21.3 The interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contributions, Grants or Deposit Works carried out by Transmission Licensee or Distribution Licensee or Generating Company, as the case may be.

21.4 Interest shall be allowed on the amount held as security deposit held in cash from Transmission System Users, Distribution System Users and Retail consumers, at the Bank Rate as on 1st April of the financial year

in which the petition is filed provided it is payable by the transmission/distribution licensee.

22. INTEREST ON WORKING CAPITAL

22.1 Components of working capital:

For the purpose of computing working capital the components mentioned in the table below shall be considered:

Generating company
<p><u>I. Coal-based Thermal Generating Plants:</u></p> <ul style="list-style-type: none">a) Cost of coal for 1 month corresponding to the normative availability (same for pit head);b) Cost of secondary fuel oil for 1 month corresponding to the normative availability;c) Normative O&M expenses for 1 (one) month;d) Maintenance spares @ 10% of the O&M expenses;e) Receivables equivalent to fixed and variables charges for 1(one) month for sale of electricity calculated corresponding to normative availability. <p><u>II. Open-cycle / Combined Cycle Gas Turbine Thermal Generating Plants:</u></p> <ul style="list-style-type: none">a) Fuel cost for 1 (one) month corresponding to the normative annual plant availability factor, duly considering mode of operation of the generating plant on gas fuel and liquid fuel;b) Liquid fuel stock for ½ month corresponding to the normative annual plant availability factor, and in case of use of more than one liquid fuel, cost of main liquid fuel;c) Maintenance spares @ 15% of normative operation and maintenance expenses;d) Normative operation and maintenance expenses for one month.e) Receivables equivalent to capacity charges and energy charges for 1 (one) months for sale of electricity calculated on normative plant availability factor, duly considering mode of operation of the generating plant on gas fuel and liquid fuel; and <p><u>III. Hydro power plants:</u></p> <ul style="list-style-type: none">a) Normative operation and maintenance expenses for 1 (one) monthb) Maintenance spares @ 7.5% of normative operation and maintenance

expenses;

- c) Receivables equivalent to fixed cost for 2 (two) months

Transmission licensee

- a) Normative O&M expenses for 1 (one) month;
- b) Maintenance spares @ 15% of the O&M expenses;
- c) Receivables equivalent to 1 (one) month of fixed cost calculated on normative / target availability Less amount held as security deposits from Users except security deposits held in the form of Bank Guarantees

Provided that at the time of truing up for any year, the working capital requirement shall be re-calculated on the basis of the values of components of working capital approved by the Commission in the truing up

Distribution licensee

I. Wheeling of electricity:

- a) Normative O&M expenses for wheeling business for 1 (one) month;
- b) Maintenance spares for 1 (one) month based on annual requirement considered at 1% of GFA (wire business) at the end of the previous year;
- c) Receivables equivalent to 1(one) month of wheeling charges.

less

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 before sharing of gains and losses

II. Retail supply of electricity:

- a) Normative O&M expenses for retail supply business for 1 (one) month;
- b) Maintenance spares for 1 (one) month based on annual requirement considered at 1% of the GFA at the end of the previous year;
- c) Uncollected revenue to be calculated as: Revenue billed for the relevant year * (1 - Normative Collection efficiency)
- d) Receivables equivalent to 1 (one) month of billing less consumers'

security / advance consumption deposit.

Provided 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 before sharing of gains and losses;

22.2 Rate of Interest

Rate of interest on working capital shall be equal to the MCLR of the relevant financial year plus a maximum of 150 basis points. However, while claiming any spread, the generator and the licensees shall submit loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest.

For the purpose of truing up, the actual weighted average Rate of Interest will be considered on the normative working capital by the Commission, subject to the ceiling margin as indicated above.

23. DEPRECIATION

For the purpose of tariff determination, the depreciation shall be calculated in the following manner: -

- (a) The value base of asset shall be the historical capital cost of the asset as admitted by the Commission. The historical capital cost shall include additional capitalization including foreign exchange rate variation, if any already allowed by the Commission up to 31st March of the relevant year.
- (b) The residual value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of historical capital cost of the asset;

Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable.

- (c) Depreciation shall be calculated annually over the useful life of the asset at the rates specified in Appendix II up to 31st March of the 12th year from the date of commercial operation of the asset. From 1st April of 13th year from the commercial date of operation of the asset, the remaining depreciable value if any out of the 90% of the capital cost of the asset shall be equally spread over the balance useful life of the asset.

The depreciation rates given in Appendix-II will be applicable w.e.f. 1.04.2020 only. The depreciation, in case of existing assets, up to 31.03.2020 shall be considered as already allowed and shall not be re-visited. The depreciation rates as per Appendix-II for such assets shall be applicable w.e.f 1.04.2020 up to 12th year from the date of COD.

Provided that the rate provided in Appendix II, are the upper ceiling of the rate of depreciation to be provided up to 12th year from the date of COD and the developer shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling.

- (d) Land shall not be considered as a depreciable asset and cost shall be excluded from the capital cost while computing depreciable value of asset.
- (e) Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the financial year, then the depreciation shall be charged on pro rata basis;
- (f) Depreciation shall not be allowed on assets (or part of assets) funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue) and capital subsidies / grants. Provision for replacement of such assets shall be made in the capital investment plan.

24. FOREIGN EXCHANGE RATE VARIATION

- 24.1 The generating company or the licensee, as the case may be, may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the project in part or full at their discretion to safeguard their interest against extraordinary variations in the foreign exchange rates.
- 24.2 The generating company or the 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 no extra rupee liability corresponding to such foreign exchange rate variation shall be allowed against the hedged foreign currency debt;
- 24.3 To the extent the generating company or the licensee is not able to hedge the foreign exchange exposure, then to that extent, 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 generating company/licensees or their contractors.

24.4 The generating company/the licensee shall recover the cost of hedging and foreign exchange rate variations on year to year basis as income or expense in the period in which it arises

24.5 Any gain or loss on account of foreign exchange rate variation pertaining to the loan amount availed during the construction period shall form part of the capital cost.

25. INCOME TAX

Income tax, if any, on the income stream of the generating company or the licensee shall not be treated as an expense or a pass-through component in the tariff and shall be payable by the generating company or the licensees on their own.

26. INCOME FROM OTHER BUSINESS

The generation company and the licensees may engage in any other business for optimum utilization of their assets with prior intimation to the Commission. Such instances and transactions shall be governed in accordance with the Treatment of Income of Other Businesses of Transmission Licensee(s) and Distribution Licensee(s), Regulations, 2007 notified by the Commission, as amended from time to time.

Provided that the licensee shall follow a reasonable basis for allocation of all joint and common costs between the core/licensed business and the other business and shall submit the allocation statement as approved by the Board of Directors to the Commission along with his application for determination of tariff;

Provided further that where the sum total of the direct and indirect costs of such other business exceed the revenues from such other business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the generation company or the licensees, as the case may be, on account of such other business.

27 A. PRIOR PERIOD EXPENSES

27.1 The utility may submit to the Commission the prior period expenses as a part of the filing for truing up;

27.2 The Commission may allow prior period expenses for uncontrollable cost items only as per the audited accounts during truing up.

**PART V- PRINCIPLES FOR DETERMINATION OF TARIFF AND NORMS OF
OPERATION FOR GENERATION BUSINESS**

28. NORMS OF OPERATION FOR THERMAL POWER STATIONS

(1) Normative Annual Plant Availability Factor (NAPAF)

(a) Existing Plants

Plant Name (Units)	MYT Period				
	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Panipat TPS (Unit 5)	85				
Panipat TPS (Unit 6)	85	85	85	85	85
Panipat TPS (Unit 7)	85	85	85	85	85
Panipat TPS(Unit 8)	85	85	85	85	85
DCR TPS, Yamuna Nagar (Unit 1)	85	85	85	85	85
DCR TPS, Yamuna Nagar (Unit 2)	85	85	85	85	85
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1)	85	85	85	85	85
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 2)	85	85	85	85	85

(b) New Plants Commissioned on or after 1st April 2020

Description	
Normative Annual Plant Availability Factor (NAPAF) in %	85

(2) Auxiliary Energy Consumption

(a) Existing Plants

Plant Name (Units)	MYT Period				
	2020-21 (%)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
Panipat TPS (Units 5 & 6)	9	9	9	9	9
Panipat TPS(Units 7 & 8)	8.50	8.50	8.50	8.50	8.50
DCR TPS, Yamuna Nagar (Units 1&2)	8.50	8.50	8.50	8.50	8.50
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1&2)	6	6	6	6	6

(b) **New Plants Commissioned on or after 1st April 2020**

Description	Auxiliary Energy Consumption (%)
(i) Coal-based Generating Plants(with natural draft cooling tower or without cooling tower)*	
With Steam driven boiler feed pumps	6.00
With Electrically driven boiler feed pumps	8.50
(ii) Gas Turbine Generating Plants	
Combined Cycle	2.75
Open Cycle	1.00

For Coal-based generating stations with induced draft cooling towers, the norms shall be further increased by 0.5%.

(3) **Station Heat Rate**

(a) **Existing Plants**

Plant Name (Units)	MYT Period				
	2020-21 (kCal/kWh)	2021-22 (kCal/kWh)	2022-23 (kCal/kWh)	2023-24 (kCal/kWh)	2024-25 (kCal/kWh)
Panipat TPS (Units 5&6)	2550	2550	2550	2550	2550
Panipat TPS(Units 7 & 8)	2500	2500	2500	2500	2500
DCR TPS, Yamuna Nagar (Units 1&2)	2344	2344	2344	2344	2344
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1&2)	2387	2387	2387	2387	2387

Note: Station heat rate norms for DeenBandhuChhottu Ram TPS (Unit 1 and 2) and Rajiv Gandhi TPS (Unit 1 and 2) have been determined considering their design heat rate as 2201 kCal/kWh and 2241 kCal/kWh respectively and multiplying the same with a factor of 1.065.

(b) New Plants Commissioned on or after 1st April 2020

(i) Coal-based Thermal =1.065 X Design Heat Rate (kCal/kWh)

Generating Plants

Where the Design Heat Rate of a unit means the unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero percent make up, design coal and design cooling water temperature/back pressure:

Provided that the design heat rate shall not exceed the following maximum design unit heat rates depending upon the pressure and temperature ratings of the units:

Steam Pressure Rating (kg/ cm²)	150	170	170	247	247
SHT/RHT (degree Celsius)	535/535	537/537	537/565	537/565	565/593
Type of Boiler Feed Pump	Electrical Driven	Turbine Driven	Turbine Driven	Turbine Driven	Turbine Driven
Maximum Turbine Cycle Heat Rate (kCal/kWh)	1955	1950	1935	1900	1850
Minimum Boiler Efficiency					
Sub-Bituminous Indian Coal	0.85	0.85	0.85	0.85	0.85
Bituminous Imported Coal	0.89	0.89	0.89	0.89	0.89
Maximum Design Unit Heat Rate (kCal/kWh)					
Sub-Bituminous Indian Coal	2300	2294	2276	2235	2176
Bituminous Imported Coal	2197	2191	2174	2135	2079

Provided further that in case pressure and temperature parameters of a unit are different from above ratings, the maximum design unit heat rate of the nearest class shall be taken;

Provided also that where unit heat rate has not been guaranteed but turbine cycle heat rate and boiler efficiency are guaranteed separately by the same supplier or different suppliers, the unit design heat rate shall be arrived at by using guaranteed turbine cycle heat rate and boiler efficiency.

Note: In respect of units where the boiler feed pumps are electrically operated, the maximum design unit heat rate shall be 40 kCal/kWh lower than the maximum design unit heat rate specified above with turbine driven Boiler Feed Pump.

(ii) Gas-based / Liquid fuel based thermal generating unit(s)/ block(s)

= 1.05 X Design Heat Rate of the unit/block for natural gas and

RLNG as fuel (kCal/kWh)

= 1.071 X Design Heat Rate of the unit/block for liquid fuel (kCal/kWh)

Where the Design Heat Rate of a unit/block shall mean the guaranteed heat rate for a unit/block at 100% MCR and at site ambient conditions, zero percent make up, design fuel and design cooling water temperature/back pressure.

(4) Secondary Fuel Oil Consumption (SFC)

(a) Existing Plants

Plant Name (Units)	MYT Period				
	2020-21 (ml/kWh)	2021-22 (ml/kWh)	2022-23 (ml/kWh)	2023-24 (ml/kWh)	2024-25 (ml/kWh)
Panipat TPS (Unit 5&6)	1.0	1.0	1.0	1.0	1.0
Panipat TPS(Units 7 & 8)	0.5	0.5	0.5	0.5	0.5
DCR TPS, Yamuna Nagar (Units 1&2)	0.5	0.5	0.5	0.5	0.5
Rajiv Gandhi TPS, Khedar (Hisar) (Unit 1&2)	0.5	0.5	0.5	0.5	0.5

(b) New Plants Commissioned on or after 1st April 2020

Type	Norms
Coal-based Thermal Generating Plants	0.5ml/kWh

(5) Operation and maintenance expenses:

The norms for O & M expenses (in Rs. Lac per MW) for the existing plants and the plants Commissioned on or after 1st April 2020 shall accordingly be as under:-

Plant (Unit)	MYT Period				
	2020-21	2021-22	2022-23	2023-24	2024-25
Panipat TPS (Unit 5)	25.64	26.66	27.73	28.84	29.99
Panipat TPS (Unit 6)	25.64	26.66	27.73	28.84	29.99
Panipat TPS (Unit 7)	23.76	24.71	25.70	26.73	27.80
Panipat TPS (Unit 8)	23.76	24.71	25.70	26.73	27.80
DCR TPS, Yamuna Nagar (Unit 1)	21.24	22.09	22.97	23.89	24.85
DCR TPS, Yamuna Nagar (Unit 2)	21.24	22.09	22.97	23.89	24.85
Rajiv Gandhi TPS (Unit 1)	12.87	13.38	13.92	14.47	15.05
Rajiv Gandhi TPS (Unit 2)	12.87	13.38	13.92	14.47	15.05

Provided that the above norms shall be multiplied by the following factors for additional units in respective unit sizes for the units whose COD occurs on or after 1st April 2020 in the same plant:

MW Class	Additional Unit No.	Multiplication factor
200/210/250 MW Class	Additional 6 th units	0.90
	Additional 7 th or more units	0.85
300/330/350 MW Class	Additional 4 th and 5 th Unit	0.90
	Additional 6 th or more units	0.85
500 MW and above Class	Additional 3 rd or 4 th unit	0.90
	Additional 5 th and above units	0.85

(i) Open Cycle /Combined Cycle Gas Turbine Generating Plants

(Rs. Lakhs / MW)

Year	Gas Turbine/Combined Cycle Generating Plants other than small	Small Gas Turbine

	gas turbine power generating plants	Power Generating Plants
2020-21	16.24	34.38
2021-22	16.76	35.48
2022-23	17.30	36.62
2023-24	17.85	37.79
2024-25	18.42	39.00

(6) The norms for thermal power plants other than the existing plants listed above, whose tariff determination falls under the jurisdiction of the Commission, shall be same as for the new plants given in the sub clause (1) to (5) above corresponding to the capacity/type of the plant.

(7) **For the generating units that undergo renovation and modernization:** the Commission shall specify a separate set of norms of operation to be adopted during the renovation and modernization period and for the subsequent period. These norms shall be specified by the Commission on case to case basis as part of the renovation and modernization capital investment approval and shall prevail over the norms specified in these Regulations. The generation tariff shall be determined accordingly by the Commission for such generating units.

29. EXPENSES ON SECONDARY FUEL OIL FOR THERMAL POWER PROJECTS

(a) Expenses on secondary fuel oil (in Rs.) shall be computed corresponding to normative secondary fuel oil consumption (SFC) specified in this Regulation, in accordance with the following formula:

$$\text{Expenses on secondary fuel oil (in Rs.)} = \text{SFC} \times \text{LPSF}_i \times \text{NAPAF} \times 24 \times \text{NDY} \times \text{IC} \times 10$$

Where,

SFC = Normative specific fuel oil consumption in ml/kWh;

LPSFi = Weighted average landed price of secondary fuel in Rs. / ml considered initially;

NAPAF = Normative annual plant availability factor in percentage;

NDY = Number of days in a Year;

IC = Installed capacity in MW.

- (b) Initially, the landed cost of secondary fuel oil shall be considered based on the weighted average price of secondary fuel oil during the three preceding months and in the absence of landed costs for the three preceding months, latest procurement price for the generating plant, before the start of the year shall be considered
- (c) The secondary fuel oil expenses shall be subject to fuel price adjustment at the end of each year of tariff period as per following formula:

$$= \text{SFC} \times \text{NAPAF} \times 24 \times \text{NDY} \times \text{IC} \times 10 \times (\text{LPSFy} - \text{LPSFi})$$

Where,

LPSFy = Weighted average landed price of secondary fuel oil for the Year in Rs./ml.

30 RECOVERY OF ANNUAL FIXED CHARGES (CAPACITY) CHARGES FOR THERMAL POWER PROJECTS

- (a) The fixed cost of a thermal generating station shall be computed on annual basis, based on norms specified under these Regulations. Payment of capacity charge by the beneficiaries shall be on monthly basis in proportion to allocated / contracted capacity. The total capacity charges payable for a generating plant shall be shared by its beneficiaries as per their respective percentage share / allocation in the capacity of the generating plant;
- (b) A generating plant shall recover full capacity charge at the normative annual plant availability factor specified by the Commission. Recovery of capacity charge below the level of target availability shall be on pro-rata basis. No capacity charge shall be payable at zero availability. Total recovered fixed charges for a Unit up to the end of a month shall not be more than the admissible approved fixed charges for that Unit as worked out corresponding to the cumulative PLF (after including deemed generation) up to the end of that month. For example, at the end of 3rd month, if the deemed PLF is 80% and the normative PLF is 85%, the admissible approved fixed charges would be $\text{AFC}/4$ ($0.80/0.85$) where AFC are the approved annual fixed charges. In case cumulative PLF at the end of 3rd month is more than the normative PLF, the admissible approved fixed charges will be $\text{AFC}/4$;
- (c) The capacity charge payable to a thermal generating plant (in Rs.) for a calendar month shall be calculated in accordance with the following formula: -

$$\text{CC1} = (\text{AFC}/12) (\text{PAF1} / \text{NAPAF}) \text{ subject to ceiling of } (\text{AFC}/12)$$

$$\text{CC2} = ((\text{AFC}/6) (\text{PAF2} / \text{NAPAF}) \text{ subject to ceiling of } (\text{AFC}/6)) - \text{CC1}$$

$CC3 = ((AFC/4) (PAF3 / NAFAPF) \text{ subject to ceiling of } (AFC/4)) - (CC1+CC2)$
 $CC4 = ((AFC/3) (PAF4 / NAFAPF) \text{ subject to ceiling of } (AFC/3)) - (CC1+CC2+CC3)$
 $CC5 = ((AFC \times 5/12) (PAF5 / NAFAPF) \text{ subject to ceiling of } (AFC \times 5/12)) - (CC1+CC2 +CC3+CC4)$
 $CC6 = ((AFC/2) (PAF6 / NAFAPF) \text{ subject to ceiling of } (AFC/2)) - (CC1+CC2+CC3+CC4 + CC5)$
 $CC7 = ((AFC \times 7/12) (PAF7 / NAFAPF) \text{ subject to ceiling of } (AFC \times 7/12)) - (CC1+CC2 +CC3 +CC4 + CC5 + CC6)$
 $CC8 = ((AFC \times 2/3) (PAF8 / NAFAPF) \text{ subject to ceiling of } (AFC \times 2/3)) - (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7)$
 $CC9 = ((AFC \times 3/4) (PAF9 / NAFAPF) \text{ subject to ceiling of } (AFC \times 3/4)) - (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7+ CC8)$
 $CC10 = ((AFC \times 5/6) (PAF10 / NAFAPF) \text{ subject to ceiling of } (AFC \times 5/6)) - (CC1+CC2 +CC3 +CC4 + CC5 + CC6 + CC7 + CC8 + CC9)$
 $CC11 = ((AFC \times 11/12) (PAF11 / NAFAPF) \text{ subject to ceiling of } (AFC \times 11/12)) - (CC1+CC2+CC3 +CC4 + CC5 + CC6 + CC7 + CC8 + CC9 + CC10)$
 $CC12 = ((AFC) (PAFY / NAFAPF) \text{ subject to ceiling of } (AFC)) - (CC1+CC2+CC3+CC4 + CC5 + CC6 + CC7 + CC8 + CC9 + CC10 + CC11)$

Provided that in case of generating station or unit thereof is under shutdown due to Renovation and Modernization, the generating company shall be allowed to recover O&M expenses and interest on loan only.

Where,

AFC = Annual fixed cost specified for the year, in Rupees.

NAFAPF = Normative annual plant availability factor in percentage.

PAFn = Percent Plant availability factor achieved upto the end of the nth month.

PAFY = Percent Plant availability factor achieved during the Year

CC1, CC2, CC3, CC4, CC5, CC6, CC7, CC8, CC9, CC10, CC11 and CC12 are the Capacity Charges of 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th and 12th months respectively."

Note: Till Intra - State ABT is implemented, Plant Availability Factor (PAF), wherever mentioned, shall mean Plant Load Factor (PLF). For working out annual PLF for the purpose of recovery of annual fixed charges, deemed generation on account of backing down on the instructions of SLDC or on the request of Discoms shall be included.

Provided that the Commission may, as an option, calculate the recovery of annual fixed charges (Capacity) charges for thermal power points as provided below: -

The fixed cost of a thermal generating station shall be computed on annual basis based on the norms specified under these regulations and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station. The capacity charge shall be recovered under two segments of the year, i.e. High Demand Season (period of three months) and Low Demand Season (period of remaining nine months), and within each season in two parts viz., Capacity Charge for Peak Hours of the month and Capacity Charge for Off-Peak Hours of the month as follows:

Capacity Charge for the Year (CCy) =Sum of Capacity Charge for three months of High Demand Season +Sum of Capacity Charge for nine months of Low Demand Season

(2) The Capacity Charge payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

Capacity Charge for the Month (CCm) =Capacity Charge for Peak Hours of the Month (CCp) +Capacity Charge for Off-Peak Hours of the Month (CCop)

Where,

High Demand Season:

$$CC_{p1} = (0.20 \times AFC) \times \left(\frac{1}{12}\right) \times \left(\frac{PAFMp}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{12}\right)$$

$$CC_{p2} = \left\{ (0.20 \times AFC) \times \left(\frac{1}{6}\right) \times \left(\frac{PAFMp2}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{6}\right) \right\} - CC_{p1}$$

$$CC_{p3} = \left\{ (0.20 \times AFC) \times \left(\frac{1}{4}\right) \times \left(\frac{PAFMp}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{4}\right) \right\} - (CC_{p1} + CC_{p2})$$

$$CC_{op1} = \left\{ (0.80 \times AFC) \times \left(\frac{1}{12}\right) \times \left(\frac{PAFMop1}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{12}\right) \right\}$$

$$CC_{op2} = \left\{ (0.80 \times AFC) \times \left(\frac{1}{6}\right) \times \left(\frac{PAFMop2}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{6}\right) \right\} - CC_{op1}$$

$$CC_{op3} = \left\{ (0.80 \times AFC) \times \left(\frac{1}{4}\right) \times \left(\frac{PAFMop3}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{4}\right) \right\} - (CC_{op1} + CC_{op2})$$

Low Demand Season:

$$CC_{p1} = \left\{ (0.20 \times AFC) \times \left(\frac{1}{12}\right) \times \left(\frac{PAFMp1}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{12}\right) \right\}$$

$$CC_{p2} = \left\{ (0.20 \times AFC) \times \left(\frac{1}{6}\right) \times \left(\frac{PAFMp2}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{6}\right) \right\} - CC_{p1}$$

$$CC_{p3} = \left\{ (0.20 \times AFC) \times \left(\frac{1}{4}\right) \times \left(\frac{PAFMp3}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{4}\right) \right\} - (CC_{p1} + CC_{p2})$$

$$CC_{p4} = \left\{ (0.20 \times AFC) \times \left(\frac{1}{3}\right) \times \left(\frac{PAFMp4}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{3}\right) \right\} - (CC_{p1} + CC_{p2} + CC_{p3})$$

$$\begin{aligned}
CC_{p5} &= \left\{ (0.20 \times AFC) \times \left(\frac{5}{12}\right) \times \left(\frac{PAFMp5}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{5}{12}\right) \right\} - \\
&\quad (CC_{p1} + CC_{p2} + CC_{p3} + CC_{p4}) \\
CC_{p6} &= \left\{ (0.20 \times AFC) \times \left(\frac{1}{2}\right) \times \left(\frac{PAFMp6}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{1}{2}\right) \right\} - \\
&\quad (CC_{p1} + CC_{p2} + CC_{p3} + CC_{p4} + CC_{p5}) \\
CC_{p7} &= \left\{ (0.20 \times AFC) \times \left(\frac{7}{12}\right) \times \left(\frac{PAFMp7}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{7}{12}\right) \right\} - \\
&\quad (CC_{p1} + CC_{p2} + CC_{p3} + CC_{p4} + CC_{p5} + CC_{p6}) \\
CC_{p8} &= \left\{ (0.20 \times AFC) \times \left(\frac{2}{3}\right) \times \left(\frac{PAFMp8}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{2}{3}\right) \right\} - \\
&\quad (CC_{p1} + CC_{p2} + CC_{p3} + CC_{p4} + CC_{p5} + CC_{p6} + CC_{p7}) \\
CC_{p9} &= \left\{ (0.20 \times AFC) \times \left(\frac{3}{4}\right) \times \left(\frac{PAFMp9}{NAPAF}\right) \text{ subject to ceiling of } (0.20 \times AFC) \times \left(\frac{3}{4}\right) \right\} - \\
&\quad (CC_{p1} + CC_{p2} + CC_{p3} + CC_{p4} + CC_{p5} + CC_{p6} + CC_{p7} + CC_{p8}) \\
CC_{op1} &= \left\{ (0.80 \times AFC) \times \left(\frac{1}{12}\right) \times \left(\frac{PAFMop1}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{12}\right) \right\} \\
CC_{op2} &= \left\{ (0.80 \times AFC) \times \left(\frac{1}{6}\right) \times \left(\frac{PAFMop2}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{6}\right) \right\} - \\
&\quad CC_{op1} \\
CC_{op3} &= \left\{ (0.80 \times AFC) \times \left(\frac{1}{4}\right) \times \left(\frac{PAFMop3}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{4}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2}) \\
CC_{op4} &= \left\{ (0.80 \times AFC) \times \left(\frac{1}{3}\right) \times \left(\frac{PAFMop4}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{3}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2} + CC_{op3}) \\
CC_{op5} &= \left\{ (0.80 \times AFC) \times \left(\frac{5}{12}\right) \times \left(\frac{PAFMop5}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{5}{12}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2} + CC_{op3} + CC_{op4}) \\
CC_{op6} &= \left\{ (0.80 \times AFC) \times \left(\frac{1}{2}\right) \times \left(\frac{PAFMop6}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{1}{2}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2} + CC_{op3} + CC_{op4} + CC_{op5}) \\
CC_{op7} &= \left\{ (0.80 \times AFC) \times \left(\frac{7}{12}\right) \times \left(\frac{PAFMop7}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{7}{12}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2} + CC_{op3} + CC_{op4} + CC_{op5} + CC_{op6}) \\
CC_{op8} &= \left\{ (0.80 \times AFC) \times \left(\frac{2}{3}\right) \times \left(\frac{PAFMop8}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{2}{3}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2} + CC_{op3} + CC_{op4} + CC_{op5} + CC_{op6} + CC_{op7}) \\
CC_{op9} &= \left\{ (0.80 \times AFC) \times \left(\frac{3}{4}\right) \times \left(\frac{PAFMop9}{NAPAF}\right) \text{ subject to ceiling of } (0.80 \times AFC) \times \left(\frac{3}{4}\right) \right\} - \\
&\quad (CC_{op1} + CC_{op2} + CC_{op3} + CC_{op4} + CC_{op5} + CC_{op6} + CC_{op7} + \\
&\quad CC_{op8})
\end{aligned}$$

Provided that in case of generating station or unit thereof under shutdown due to Renovation and Modernisation, the generating company shall be allowed to recover O&M expenses and interest on loan only.

Where,

CC_m= Capacity Charge for the Month;

CC_p= Capacity Charge for the Peak Hours of the Month;

CCop= Capacity Charge for the Off-Peak Hours of the Month;

CCpn= Capacity Charge for the Peak Hours of nth Month in a specificSeason;

CCopn= Capacity Charge for the Off-Peak of nth Month in a specific Season;

AFC = Annual Fixed Cost;

PAFMpn = Plant Availability Factor achieved during Peak Hours upto the end of nth Month in a Season;

PAFMopn = Plant Availability Factor achieved during Off-Peak Hours upto the end of nth Month in a Season;

NAPAF= Normative Annual Plant Availability Factor.

(3) Normative Plant Availability Factor for “Peak” and “Off-Peak” Hours in a month shall be equivalent to the NAPAF specified in these Regulations. The number of hours of “Peak” and “Off-Peak” periods during a day shall be four and twenty respectively. The hours of Peak and Off-Peak periods during a day shall be declared by the SLDC at least a week in advance. The High Demand Season (period of three months, consecutive or otherwise) and Low Demand Season (period of remaining nine months, consecutive or otherwise) in a region shall be declared by the SLDC, at least six months in advance:

Provided that SLDC, after duly considering the comments of the concerned stakeholders, shall declare Peak Hours and High Demand Season in such a way as to coincide with the majority of the Peak Hours and High Demand Season of the State to the maximum extent possible:

(4) Any under-recovery or over-recovery of Capacity Charge as a result of under achievement or over-achievement, vis-à-vis the NAPAF in Peak and Off-Peak Hours of a Season (High Demand Season or Low Demand Season, as the case may be) shall not be adjusted with under-achievement or over-achievement, vis-à-vis the NAPAF in Peak and Off-Peak Hours of the other Season:

Provided that within a Season, the shortfall in recovery of Capacity Charge for cumulative Off-Peak Hours derived based on NAPAF, shall be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Peak Hours in that Season:

Provided further that within a Season, the shortfall in recovery of Capacity

Charge for cumulative Peak Hours derived based on NAPAF, shall not be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Off-Peak Hours in that Season.

(5) The Plant Availability Factor achieved for a Month (PAFM) shall be computed in accordance with the following formula:

$$PAFM = 1000 \times \sum_{i=1}^N \frac{DCi}{[N \times IC \times (100 - Aux)]} \%$$

Where,

AUX = Normative auxiliary energy consumption in percentage.

DCi = Average declared capacity (in ex-bus MW), for the ith day of the period i.e. the month or the year as the case may be, as certified by the State load dispatch centre after the day is over.

IC = Installed Capacity (in MW) of the generating station

N = Number of days during the period

Note: DCi and IC shall exclude the capacity of generating units not declared under commercial operation. In case of a change in IC during the concerned period, its average value shall be taken.

(6) In addition to the capacity charge, an incentive shall be payable to a generating station or unit thereof @ 65 paise/ kWh for ex-bus scheduled energy during Peak Hours and @ 50 paise/ kWh for ex-bus scheduled energy during Off-Peak Hours corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor (NAPLF) achieved on a cumulative basis within each Season (High Demand Season or Low Demand Season, as the case may be), as specified in these Regulations.

Provided that the generating company shall be required to file its calculations for recovery of capacity charges as per the above two options separately for each year of the second control period.

Provided further that in case HPGCL's power stations are backed down on the instructions of the DISCOMs and at the same time the Discoms are drawing power at a lower rate from some other sources i.e. generators, traders etc. or resorting to draws under UI mechanism, the Discoms shall compensate HPGCL to the extent of fixed cost corresponding to loss of generation due to backing down. In such cases HPGCL shall have the right to sell power not scheduled by the Discoms

to a third party provided any revenue earned on this account shall first be adjusted against the fixed cost to be recovered from the Discoms.

31 ENERGY CHARGES OR VARIABLE CHARGES FOR THERMAL POWER PROJECTS

- (a) The Energy charges or variable charges shall cover the main fuel cost & secondary fuel oil and shall be payable for the total energy scheduled to be supplied to a beneficiary during the calendar month on ex-power plant basis, at the specified variable charge rate, with fuel price adjustment.
- (b) The Energy charge for the month shall be worked out on the basis of ex-bus energy scheduled to be sent out from the generating plant in accordance with the following formula:

Energy charge or variable charge (Rs)
 = Energy Charge Rate (Rs. / kWh) x Scheduled Energy (ex-bus) for the month (kWh)

Note: Till the time intra state ABT is implemented, 'scheduled energy' may be read as 'actual energy sent'.

- (c) Energy charge rate (ECR) in Rs. per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formula:
- (i) In case secondary fuel Oil cost is the part of ECR:

$$\left[\left\{ \frac{\text{SHR} - (\text{SFC} \times \text{CVSF}) \times \text{LPPF}}{\text{CVPF}} \right\} + (\text{SFC} \times \text{LPSF}) \right] \times \left\{ \frac{100}{100 - \text{Aux}} \right\}$$

- (ii) In case secondary fuel Oil cost is not the part of ECR

$$\left\{ \frac{\text{SHR} - (\text{SFC} \times \text{CVSF}) \times \text{LPPF}}{\text{CVPF}} \right\} \times \left\{ \frac{100}{100 - \text{Aux}} \right\}$$

Where

AUX = Normative auxiliary energy consumption in percentage;

CVPF = Gross calorific value of primary fuel as fired, in kCal per kg or per litre as applicable;

CVSF = Gross calorific value of secondary fuel in kCal per ml;

ECR = Energy charge rate in Rs. per kWh sent out;

SHR = Normative Station Heat rate in kCal per kWh;

SFC = Normative Specific fuel oil consumption in ml/kWh

LPPF =Weighted average landed price of primary fuel in Rs./kg.

LPSF = Weighted average landed fuel cost of Secondary Fuel in Rs./ml during the month.

32 LANDED COST OF FUEL FOR THERMAL POWER PROJECTS

The landed cost of fuel for the month shall include price of fuel corresponding to the grade and quality of fuel inclusive of royalty, taxes and duties as applicable, transportation cost by rail/road or any other means, for the purpose of computation of energy charge and in case of coal, shall be arrived at after considering normative transit/moisture and handling losses as percentage of the quantity of coal dispatched by the coal supply company during the month as follows:

Non-pithead generating plants (up to 1000 KMs	:	Upto 0.8%
Non-pithead generating plants (above 1000 KMs	:	Upto 1.2%
Pit head generating plants	:	Upto 0.2%

33 PRIMARY FUEL PRICE ADJUSTMENT (FPA) FOR THERMAL POWER STATIONS

HPGCL shall claim FPA as per the details provided here under: -

Initially gross calorific value of coal shall be taken as per actual in the preceding financial year for which data is available. Any deviation shall be adjusted based on the gross calorific value of coal received and burnt and landed cost incurred by the generating company for procurement of coal on month to month basis. No separate petition shall be required to be filed with the Commission for fuel price adjustment. In case of any dispute related to primary fuel price adjustment, an appropriate application in accordance with Haryana Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time or any statutory re-enactment thereof, shall be made by the affected party before the Commission. For determining fuel price adjustment (FPA) amount the following formula shall be adopted:-

$$FPA = \frac{10 * [SHR_n - SFC_n * K_{os}] * [\frac{P_{cm}}{K_{cm}} - \frac{P_{cs}}{K_{cs}}]}{(100 - AC_n)}$$

Where,

FPA	=	Primary Fuel Price Adjustment in Paise/kWh;
SFC _n	=	Normative Specific Fuel Oil consumption in ml / kWh;
SHR _n	=	Normative Gross Station Heat Rate in kCal / kWh;
AC _n	=	Normative Auxiliary Energy Consumption in percentage;
K _{os}	=	Base value of GCV of fuel oil as taken for determination of base energy charge in tariff order in kCal/ml;
P _{cm}	=	Weighted average price of coal as per the invoices submitted for the month at the power station in Rs/MT;
K _{cm}	=	Weighted average GCV of coal fired at boiler front for the month in KCal/Kg;
P _{cs}	=	Base value of price of coal as taken for determination of base energy charge in tariff order in Rs/MT;
K _{cs}	=	Base value of GCV of coal as taken for determination of base energy charge in tariff order in KCal/Kg.

34 Technical Minimum Schedule

Technical Minimum Schedule for operation of Intra-State Coal based Generating Stations

1. The technical minimum for operation in respect of a unit or units of an intra-State Generating Station, except HPGCL's power plants at Panipat, shall be 55% of MCR loading or installed capacity of the unit of at generating station.

Provided that the above provision in the Regulation shall continue as an option available to the Commission and shall be implemented as and when considered feasible by the Commission except for the HPGCL's power plants of old vintage at Panipat.

2. The intra-State Generator may be directed by SLDC concerned to operate its unit(s) at or above the technical minimum but below the normative plant availability factor on account of grid security or due to the fewer schedules given by the beneficiaries.

3. Where the Generator, whose tariff is either determined or adopted by the Commission, is directed by the SLDC concerned to operate below normative plant availability factor but at or above technical minimum, the said Generator may be compensated depending on the average unit loading duly considering the forced outages, planned outages, PLF, generation at generator terminal, energy sent out ex-bus, number of start-stop, secondary fuel oil consumption and auxiliary energy consumption, in due consideration of actual and normative operating parameters of station heat rate, auxiliary energy consumption and secondary fuel oil consumption etc. on monthly basis duly supported by relevant data verified by SLDC.

Provided that:

(i) In case of coal / lignite based generating stations, following station heat rate degradation or actual heat rate, whichever is lower, shall be considered for the purpose of compensation: -

Sr.No	Unit loading as a % of Installed Capacity of the Unit	Increase in SHR (for supercritical units) (%)	Increase in SHR (for sub-critical units) (%)
1	85-100	Nil	Nil
2	75 - 84.99	1.25	2.25
3	65 - 74.99	2	4
4	55 - 64.99	3	6

(ii) In case of coal / lignite based generating stations, the following Auxiliary Energy Consumption degradation or actual, whichever is lower, shall be considered for the purpose of compensation:

Sr No.	Unit Loading (% of MCR)	% Degradation in AEC admissible
1	85 - 100	NIL
2	75 - 84.99	0.35
3	65 - 74.99	0.65
4	55 - 64.99	1.0

(iii) Where the scheduled generation falls below the technical minimum schedule, the SLDC concerned shall have the option to go for reserve shut down and in such cases, start-up fuel cost over and above seven (7) start / stop in a year shall be considered as additional compensation based on following norms or actual, whichever is lower:

Unit Size (MW)	Oil Consumption per start up (Kl)		
	Hot	Warm	Cold
200/210/250 MW	20	30	50
500 MW	30	50	90
660 MW	40	60	110

(iv) In case of gas based intra-State Generating Station, compensation shall be decided based on the characteristic curve provided by the manufacturer and after prudence check of the actual operating parameters of Station Heat Rate, Auxiliary Energy Consumption, etc.

(v) Compensation for the Station Heat Rate and Auxiliary Energy Consumption shall be worked out in terms of energy charges.

(vi) The compensation so computed shall be borne by the entity who has caused the plant to be operated at schedule lower than corresponding to Normative Plant Availability Factor up to technical minimum based on the compensation mechanism finalized by the SLDC.

(vii) No compensation for Heat Rate degradation and Auxiliary Energy Consumption shall be admissible if the actual Heat Rate and / or actual Auxiliary Energy Consumption are lower than the normative Station Heat Rate and / or normative Auxiliary Energy Consumption applicable to the unit or the generating station.

(viii) There shall be reconciliation of the compensation at the end of the financial year in due consideration of actual weighted average operational parameters of station heat rate, auxiliary energy consumption and secondary oil consumption.

(ix) No compensation for Heat Rate degradation and Auxiliary Energy Consumption shall be admissible if the actual Heat Rate and / or actual Auxiliary Energy Consumption are lower than the normative station Heat Rate and/or normative Auxiliary Energy Consumption applicable to the unit or the generating station in a month or after annual reconciliation at the end of the year.

4. In case of a generating station whose tariff is neither determined nor adopted by the Commission, the concerned generating company shall have to factor the

above provisions in the PPAs entered into by it for sale of power in order to claim compensations for operating at the technical minimum schedule.

5. The generating company shall keep the record of the emission levels from the plant due to part load operation and submit a report for each year to the Commission by 31st May of the year.

6. SLDC shall prepare a Detailed Operating Procedure in consultation with the generators and beneficiaries within 2 months' time and submit to the Commission for approval. The Detailed Operating Procedure shall contain the role of different agencies, data requirements, procedure for taking the units under reserve shut down and the methodology for identifying the generating stations or units thereof to be backed down upto the technical minimum in specific Grid conditions such as low system demand, Regulation of Power Supply and incidence of high renewables etc., based on merit order stacking.

7. The SLDC shall work out a mechanism for compensation for station heat rate and auxiliary energy consumption for low unit loading on monthly basis in terms of energy charges and compensation for secondary fuel oil consumption over and above the norm of 0.5 ml/kWh for additional start-ups in excess of 7 start-ups, in consultation with generators and beneficiaries including its sharing by the beneficiaries.

35 NORMS OF OPERATION AND DETERMINATION OF TARIFF FOR HYDRO POWER PLANTS

Norms of operation and determination of tariff for hydro power plants other than those covered under renewable energy sources, shall be as under:-

34.1 The tariff for sale of electricity from a Hydro Generating Station shall comprise of two parts, namely, the Capacity Charge and Energy Charge.

34.2 Annual Fixed Charges:

The Annual Fixed Charges shall comprise of the following elements:

- (a) Depreciation;
- (b) Interest and Finance Charges on Loan Capital;
- (c) interest on Working Capital;
- (d) Operation & Maintenance Expenses;
- (e) Return on Equity;
- (f) Special allowance in lieu of Renovation & Modernization, wherever applicable;
- (g) SLDC Fees and Charges minus:
- (h) Non-Tariff Income:

Provided that Depreciation, interest and finance charges on Loan Capital, Interest on Working Capital and Return on Equity for Hydro Generating Stations shall be allowed in accordance with the provisions specified in 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.

34.3 The norms of operation for existing hydro generating stations for recovery of Annual Fixed Charges shall be as under:-

Normative Annual Plant Availability Factor (%)	Auxiliary Consumption including Transformer Losses (%)
80%	1
80%	1

The following Normative Annual Plant Availability Factor (NAPAF) shall apply to other hydro generating stations for recovery of Annual Fixed Charges:

- a) Storage and Pondage type plants with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 80%, and where plant availability is not affected by silt: 90%
- b) In case of storage and pondage type plants with head variation between full reservoir level and minimum draw down level is more than 8% and when plant availability is not affected by silt, the month wise peaking capability as provided by the project authorities in the DPR (approved by CEA or the State Government) shall form basis of fixation of NAPAF.
- c) Pondage type plants where plant availability is significantly affected by silt: 85%.
- d) Run-of-river type plants: NAPAF to be determined plant-wise, based on 10-day design energy data, moderated by past experience where available/relevant.
- e) A further allowance may be made by the Commission in NAPAF determination under special circumstances, e.g., abnormal silt problem or other operating conditions, and known plant limitations.

The following Auxiliary Energy Consumption shall apply to other Hydro Stations

- (a) Surface hydro generating stations:
 - i. With rotating exciters mounted on the generator shaft: 0.70%;
 - ii. With static excitation system: 1.00%;
- (b) Underground hydro generating station:
 - i. With rotating exciters mounted on the generator shaft: 0.90%;

ii. With static excitation system: 1.20%.

34.4 Operation and Maintenance Expenses for Hydro Power Plant

a) The Operation and Maintenance expenses including insurance shall be derived on the basis of the average of the actual Operation and Maintenance expenses for the three (3) years ending March 31,2018, subject to prudence check by the Commission.

b) The average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the financial year ended March 31,2020 and shall be escalated at the escalation factor of 4% to arrive at operation and maintenance expenses for subsequent years of the control period. Alternatively, the Commission may peg O&M expenses for the first year of operation at 2% of the project cost admitted by the Commission (excluding cost of rehabilitation and resettlement works and any other cost that may be disallowed by the Commission including on account of delay in CoD).

(2) The O&M expenses for each subsequent year will be determined by escalating the base expenses determined above, at the escalation factor of 4%.

Capacity Charge and Energy Charge for Hydro Power Plants:

The Annual Fixed Charges of a Hydro Generating Station shall be computed on annual basis, based on the norms specified under these Regulations, and recovered on monthly basis under capacity charge (inclusive of incentive) and Energy Charge, which shall be payable by the beneficiaries in proportion to their respective share in the capacity of the generating station'

1. The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be as under:-

$AFC \times 0.5 \times NDM / NDY \times (PAFM/NAPAF)$ (in INR);

Where;

AFC = Annual fixed cost specified for the year, in Rupees;

NAPAF = Normative plant availability factor in percentage;

NDM = Number of days in the month;

NDY= Number of days in the year;

PAFM = Plant availability factor achieved during the month, in Percentage.

The PAFM shall be computed in accordance with the following formula:

$PAFM = 10000 \times \sum_{i=1} DC_i / \{ N \times IC \times (100 - AUX) \} \%$

i= 1

AUX = Normative auxiliary energy consumption in percentage;

DCi= Declared capacity (in ex-bus MW) for the is day of the month which the station can deliver for at least three (3) hours; as certified by the State Load Despatch Centre after the day is over.

IC = Installed capacity (in MW) of the complete generating station;

N = Number of days in the month.

2. The Energy Charge shall be payable by every beneficiary for the total energy supplied to the beneficiary, excluding free energy for home state (FEHS), if any, during the calendar month on ex-power plant basis, at the computed Energy Charge rate.

Total Energy Charge payable to the Generating Company for a month shall be:

(Energy Charge Rate in Rs./kwh) x {Energy (ex-bus)} for the month in kWh x (100-FEHS)/100 .

3. Energy Charge Rate (ECR) in Rupees per kWh on ex-power plant basis, for a Hydro Generating Station, shall be determined up to three decimal places based on the following formula:

$$ECR = AFC \times 0.5 \times 10 / \{DE \times (100 - AUX) \times (100 - FEHS)\};$$

Where;

FEHS: Free energy for Home State.

DE = Annual Design Energy specified for the hydro generating station, in MWh, subject to the provision in Regulation below.

4. In case actual total energy generated by a Hydro Generating Station during a year is less than the Design Energy for reasons beyond the control of the Generating Company, the following treatment shall be applied on a rolling basis:

(i) in case the energy shortfall occurs within ten years from the date of commercial operation of a generating station, the ECR for the year following the year of energy shortfall shall be computed based on the formula specified in these Regulations with the modification that the DE for the year shall be considered as equal to the actual energy generated during the year of the shortfall, till the Energy Charge shortfall of the previous year has been made up, after which normal ECR shall be applicable;

(ii) in case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply:-

Suppose the specified annual Design Energy (DE) for the station is DE MWh, and the actual energy generated during the relevant (first) and the

following (second) financial years are A1 and A2MWh, respectively, A1 being less than DE, then the Design Energy to be considered in the formula in these Regulations for calculating the ECR for the third financial year shall be moderated as $(A1 + A2 - DE)$ MWh, subject to a maximum of DE MWh and a minimum of A1 MWh;

(iii) Actual energy generated (e.g., A1, A2) shall be arrived at by multiplying the net metered energy sent out from the station by $100 / (100 - AUX)$.

In case the Energy Charge Rate (ECR) for a hydro generating station, as computed in Regulation above exceeds ninety paise per kWh, and the actual saleable energy] in a year exceeds $\{DE \times (100 - AUX) \times (100 - FEHS) / 10000\}$ MWh, the Energy Charge for the energy in excess of the above shall be billed at ninety paise per kWh only:

Provided that in a year following a year in which the total energy generated was less than the design energy for reasons beyond the control of the Generating Company, the Energy- Charge Rate shall be reduced to ninety paise per kWh after the energy charge shortfall of the previous year has been made up.

The State Load Dispatch Centre shall finalize the schedules for the hydro generating stations, in consultation with the beneficiaries, for optimal utilization of all the energy declared to be available, which shall be scheduled for all beneficiaries in proportion to their respective allocations in the generating station.

Capital Cost and Additional Capitalization

For the purpose of determination of tariff, the capital cost and additional capitalisation for Hydro Power Plants shall be allowed/approved in accordance with the provisions outlined under Regulation 18.

35 UNSCHEDULED INTERCHANGE CHARGES

- (a) As and when intra state ABT is implemented, all variations between actual net injection and scheduled net injection for generating plant, and all variations between actual net drawl and schedule net drawl for beneficiaries shall be treated as their respective unscheduled interchanges (UI) and will be dealt with as per the intra-State ABT Regulations to be notified by the Commission.
- (b) The profit and loss on account of unscheduled interchange shall be to the account of the generating company.

36 SCHEDULING

The methodology for scheduling and dispatch for the generating plant shall be as specified in the Haryana Grid Code/IEGC and the intra state ABT Regulations to be notified by the Commission as amended from time to time. Until the intra-State ABT Regulations are notified by the Commission CERC ABT Regulations would be applicable.

37 SLDC AND TRANSMISSION CHARGES

- (a) SLDC and Transmission charges as determined by the Commission shall be considered as a part of expenditure, as pass through, if payable by the generating company;
- (b) SLDC and transmission charges paid for energy sold outside the state, if any, shall not be considered as expenses for determining generation tariff.

38 REACTIVE ENERGY

A generating station shall inject/absorb the reactive energy into the grid as per the directions of State Load Despatch Centre. Such injection/absorption may be undertaken on the basis of machine capability and in accordance with the directions issued by SLDC as per the provisions of Haryana Grid Code as amended from time to time.

39 DEMONSTRATION OF DECLARED CAPACITY

- (i) The generating company may be required to demonstrate the declared capacity of its generating plant as and when asked by the State Load Dispatch Centre or as requested by DISCOMs to SLDC. In the event of the generating company failing to demonstrate the declared capacity, the capacity charges due to the generating plant shall be reduced as a measure of penalty as provided below;

The quantum of penalty for the first mis-declaration in a financial year for any duration or block in a day shall be charged corresponding to two days of fixed charges. For the second mis-declaration the penalty shall be equivalent to fixed charges for four days and for subsequent mis-declarations in the financial year, the penalty shall be multiplied in the geometrical progression. Same process to be followed in the subsequent financial years;

- (ii) The operating log books of the generating plant shall be available for review by the State Load Dispatch Centre. These books shall contain record of machine operation and maintenance.
- (iii) The SLDC shall provide to the Commission any data/information in the context of demonstration of declared capacity by a generating company

or in the context of any other issue concerning system operation/security as may be asked for by the Commission.

40 METERING AND ACCOUNTING

- (i) Metering arrangement, including installation, testing and operation and maintenance of meters and collection, transportation and processing of data required for accounting of energy exchanges and average frequency on 15 minutes time block basis shall be provided by the State Load Dispatch Centre to the State Transmission Utility;
- (ii) Processed data of the meters along with data relating to declared capacities and schedules etc shall be supplied by State Load Dispatch Centre to the State Transmission Utility;
- (iii) For all purpose, the Standards for Metering and Accounting specified in the Haryana Grid Code Regulations 2009, intra-State ABT Regulations to be notified by the Commission and the Central Electricity Authority (Installation and Operation of Meters) Regulations 2006 notified by the CEA, shall be adopted and followed. Until the intra-State ABT Regulations are notified by the Commission, CERC ABT Regulations would be applicable.

41 BILLING AND PAYMENT

- (i) Bills shall be raised for capacity charges, and energy charges on monthly basis by the generating company in accordance with these Regulations, and applicable payments shall be made by the beneficiaries directly to the generating company.
- (ii) Payment of the capacity charges for a thermal generating plant shall be shared by the beneficiaries of the generating plant as per their percentage allocated share for the month (inclusive of any allocation out of the unallocated capacity) in the installed capacity of the generating plant.

42 REBATE FOR EARLY PAYMENT

In case of early payment of bills of capacity and energy charges the following schedule of rebate shall be followed:

Days from the date of receipt of bills of capacity charges, energy charges etc.	Rebate %
0-7	2.0
8-14	1.0
15-21	0.5

43 LATE PAYMENT SURCHARGE

In case the payment of any bill for charges payable under these Regulations is delayed by the beneficiary beyond a period of 30 days from the date of receipt of bill, a late payment surcharge at the rate of 0.04% per day shall be levied by the generating company and shall be payable by the beneficiaries.

44 SALE OF INFIRM POWER

(a) Supply of infirm power shall be accounted as Unscheduled Interchange (UI) and paid for from the regional or State UI pool account at the applicable frequency-linked UI rate.

(b) Any revenue earned by the generating company from sale of infirm power after accounting for the fuel expenses shall be applied for reduction in capital cost. Any loss on this account shall not be taken into consideration.

45 NON-TARIFF INCOME

(a) All incomes being incidental to electricity business and derived by the generating company from sources, including but not limited to profit derived from disposal of assets, rents, miscellaneous receipts from the beneficiaries, etc. shall constitute non-tariff Income of the generating company;

(b) The amount received by the generating company on account of non-tariff income shall be deducted from the aggregate revenue requirement for calculating the net revenue requirement of such licensee:

Provided that the generating company shall submit full details of his forecast of non-tariff income to the Commission in such form as may be stipulated by the Commission from time to time;

Provided that Late Payment Surcharge and Interest on Late Payment earned by the Generating Company shall not be considered under Non-tariff Income;

(c) The "non-tariff income" shall include but shall not be limited to the following:

- i. Income from rent on land or buildings or other assets;
- ii. Income from sale of land or other assets;
- iii. Income from sale of scrap;
- iv. Income from statutory investments;
- v. Income from sale of Ash/rejected coal;

- vi. Interest on advances to suppliers/contractors;
- vii. Rental from staff quarters;
- viii. Rental from contractors;
- ix. Income from hire charges from contactors and others;
- x. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- xi. Income from advertisements;
- xii. Excess found on physical verification;
- xiii. Interest on investments, fixed and call deposits and bank balances;
- xiv. Prior period income, etc.:

PART VI - PRINCIPLES FOR DETERMINATION OF TARIFF AND NORMS OF OPERATION FOR TRANSMISSION BUSINESS

45. NORMS OF OPERATION FOR TRANSMISSION LICENSEE

The norms of operation for transmission licensee shall be as under:

45.1 Normative annual transmission system availability Factor (NATAF)

Norm	MYT Period
AC System	99.2 (%)

The above-mentioned target availability will be subject to an incentive and penalty mechanism once the conditions specified in Regulation 12 are satisfied.

Provided also that for AC system, two trippings per year shall be allowed, and after two trippings in a year, additional 12 hours outage shall be considered in addition to the actual outage:

Provided also that in case of outage of a transmission element affecting evacuation of power from a generating station, outage hour shall be multiplied by a factor of 2.

45.2 Auxiliary energy consumption in the substations

The charges for auxiliary energy consumption in the AC sub-station for the purpose of air-conditioning, lighting and consumption in other equipment shall be borne by the transmission licensee and will be included as part of the administrative and general expenses.

45.3 Operation and maintenance expenses

The actual audited Employee cost (excluding terminal liabilities) and A&G expenses for the financial year preceding the base year, subject to prudence check, shall be escalated at the escalation factor of 4% to arrive at the Employee cost (excluding terminal liabilities) and A&G expenses for the base year of the control period. The O&M expenses for the nth year of the control period shall be approved based on the formula given below:

$$\mathbf{O\&M_n = (R\&M_n + EMP_n + A\&G_n) * (1-X_n) + Terminal Liabilities}$$

Where,

- R&M_n - Repair and maintenance costs of the transmission licensee for the nth year;
- EMP_n - Employee costs of the transmission licensee for the nth year excluding terminal liabilities;

- A&G_n - Administrative and general costs of the transmission licensee for the nth year;

The above components shall be computed in the manner specified below:

(a) $R\&M_n = K * GFA * (INDX_n / INDX_{n-1})$

Where,

- 'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth year. **The value of K will be 0.50% for the entire control period;**
- GFA is the average value of gross fixed assets for the nth year;
- $INDX_n$ means the inflation factor for the nth year as defined herein after:

(b) EMP_n (excluding terminal liabilities) + A&G_n = $(EMP_{n-1} + A\&G_{n-1}) * (INDX_n / INDX_{n-1})$

Where,

- $INDX_n$ - Inflation Factor to be used for indexing the employee cost and A&G cost. This will be a combination of the consumer price index (CPI) and the wholesale price index (WPI) for immediately preceding year and shall be calculated as under:
- $INDX_n = 0.55 * CPI_n + 0.45 * WPI_n$

Note: As and when any material price index specific to power sector or a more relevant Index becomes available, the same shall replace the Index used for working out R&M cost.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor of Government of India in the previous year;

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India in the previous year

(c) X_n is an efficiency factor for nth year

X_n will be calculated by the Commission by analysing the change in the total operating expenditure i.e. expenditure before depreciation, interest and taxes (i) Per unit of circuit km over last three years; and (ii) Per unit of transformation capacity over last three years.

The Value of X_n will be determined by the Commission in the MYT order for the control period. The transmission licensee will be required to submit the above data based on the actual for the last three years.

Note 1: For the purpose of estimation, the same $INDX_n$ value shall be used for all years of the control period. However, the Commission will consider the actual values in the $INDX_n$ at the end of each year during the mid-year performance review and true-up exercise and true-up the employee cost and A&G expenses on account of this variation.

Note 2: Any variation in employee cost and A&G cost on account of reasons beyond variation in $INDX_n$ will be subject to the incentive and penalty framework specified in these Regulations.

Note 3: Terminal liabilities will be approved as per actual expenditure incurred by the transmission licensee or as established through actuarial valuation

Note 4: O&M expenses made on account of extraordinary situations, if any, shall be submitted to Commission for its approval. Such expenses shall be filed separately and will not be subjected to incentive and penalty framework. The approved amount by the Commission shall be trued up in the mid-year performance review and true-up.

Note 5: Changes in the pay scales of employees necessitated on account of pay revision by Pay Commission or by the State Government orders shall be considered by the Commission for true-up during the mid-year performance review and true-up.

45.4 Transmission losses (%)

- (a) The trajectory for, intra-state transmission loss, during the control period shall be as under:

FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
2.15	2.10	2.05	2.02	2.0

- (b) The losses shall be borne by the beneficiaries in kind. The SLDC shall reduce the demand scheduled by the beneficiaries during each time block by the 12 months rolling transmission losses (the said period will be the 12 months period proceeding the relevant month by 3 months). The SLDC shall post the rolling 12 months losses regularly on its website. The SLDC, however, shall develop necessary software for working out rolling 52-week losses and reduce the scheduled demand accordingly thereafter.
- (c) If the actual annual transmission losses (%) exceed the benchmark value (%) approved by the Commission, the licensee(s) shall be penalized in the following manner:

Percentage increase above the Loss level specified by the Commission	Penalty
Upto 5%	No Penalty
More than 5% and upto 10%	Reduction in return on equity in Rs crore by 0.5 %
More than 10% and upto 15%	Reduction in return on equity in Rs crore by 1 %
More than 15%	Reduction in return on equity in Rs Crore by 1% + 0.5% for every increase of 5% or part thereof above 15%

Example: In case the specified transmission loss level is 3%, then an increase of 0.15 in the loss level will amount to 5% increase. Similarly, an increase of 0.30 and 0.45 in the loss level will amount to 10% and 15% increase in the loss level respectively.

Provided, further that the intra-State transmission loss, in excess of the benchmark specified in these Regulations shall not be passed on to the beneficiaries / electricity consumers.

46 NON-TARIFF INCOME

(a) All incomes being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, miscellaneous receipts from the beneficiaries, etc. shall constitute non-tariff Income of the licensee;

(b) The amount received by the licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement for calculating the net revenue requirement of such licensee:

Provided that the transmission licensee shall submit full details of his forecast of non-tariff income to the Commission in such form as may be stipulated by the Commission from time to time;

Provided that Late Payment Surcharge and Interest on Late Payment earned by the the Licensee shall not be considered under Non-tariff Income;

(c) The “non-tariff income” shall include but shall not be limited to the following:

- i. Income from rent on land or buildings or other assets;
- ii. Income from sale of land or other assets;
- iii. Income from sale of scrap;
- iv. Income from statutory investments;
- v. Income from interest on contingency reserve investment;
- vi. Interest on advances to suppliers/contractors;
- vii. Rental from staff quarters;
- viii. Rental from contractors;
- ix. Income from hire charges from contactors and others;
- x. Income from advertisements, etc.;
- xi. Miscellaneous receipts like parallel operation charges;
- xii. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- xiii. Excess found on physical verification;
- xiv. Interest on investments, fixed and call deposits and bank balances;
- xv. Prior period income, etc

47 INCOME FROM SHORT TERM OPEN ACCESS CONSUMERS

(a) The charges payable by the short-term open access consumers shall be as specified in the intra-State open access Regulations notified by the Commission and as amended from time to time;

‘(b) Intra State Transmission Charges and SLDC charges applicable to short term open access consumers shall not be applicable on short term power purchase/sale by the long-term and medium-term beneficiaries of the transmission licensee

(c) 25% of the charges collected from the short-term open access consumers on account of application money and transmission charges shall be retained by the transmission licensee and the balance 75% shall be considered as non-tariff income and adjusted towards reduction in the transmission charges payable by the long term and medium-term users.

48 REACTIVE ENERGY CHARGES

(a) The reactive energy charges shall be as provided in the Haryana Grid Code as amended from time to time.

- (b) Reactive energy charge shall be payable and shared as per Regulation 5.5.1 of Haryana Grid Code (HGC) Regulation, 2009 as amended from time to time;
- (c) Reactive energy account shall be maintained and operated as per the intra-State ABT Regulations to be notified by the Commission and as amended from time to time. Until the intra-State ABT Regulations are notified by the Commission, CERC ABT Regulations shall be applicable;
- (d) The reactive energy charges from embedded open access consumers shall be recovered by the distribution licensee by apportioning the total reactive energy drawn during the month in the ratio of energy drawn through open access and the energy drawn from the distribution licensee. The reactive energy charges shall be recovered for the apportioned reactive energy corresponding to energy drawn through open access at the applicable rate.

49 ANNUAL TRANSMISSION CHARGES

- (a) The total annual transmission charges of a transmission licensee shall be equal to total annual expenses and return on equity as allowed as per these Regulations less non-tariff income and 50% of the revenue generated from other business in line with HERC Regulations, 2007 for other income as amended from time to time;
- (b) The transmission licensee shall be entitled to recover its annual transmission charges (ATC) from the beneficiaries.

50 RECOVERY OF ANNUAL TRANSMISSION CHARGES

- (a) Transmission licensee shall recover the transmission charges at the normative annual transmission system availability factor specified for it by the Commission.

(b) Payment of transmission charges

Annual transmission charges shall be fully recoverable at the specified level of target availability. Payment of transmission charges below the specified target availability shall be on pro-rata basis. The transmission licensee may recover its annual transmission charges by way of a fixed charge based on transformation capacity. The transmission charges shall be calculated on a monthly basis. In case of more than one beneficiaries of the transmission system, including the distribution licensees and long term and medium term open access consumers (but subject to any exclusion of any other open access consumers as per the open access Regulation notified by the Commission), the monthly

transmission charges leviable on each beneficiary shall be computed as per the following formula.

$$\text{Monthly Transmission Charges} = \frac{\text{ATC}}{12} \times \frac{\text{CA}}{\text{CS}}$$

Where,

ATC = Annual Transmission Charges payable by all the beneficiaries after deducting any benefits to be considered as decided by the Commission;

CA = Transformation Capacity (MVA) allocated to each beneficiary.

CS = Sum of Transformation Capacity (MVA) allocated to all beneficiaries.

Note: Where allocated Transformation Capacity (MVA) of a beneficiary is not available, the contracted capacity in MW shall be converted in MVA at a power factor of 0.90 and the same shall be considered for computation of monthly transmission charges payable by the beneficiaries.

Provided that monthly Transmission tariff shall also be shared by a Generation Company (including Renewable Energy Generators which opt for third party sale) if power from such Generating Company is sold to a consumer outside the State of Haryana to the extent of capacity contracted outside the state.

Provided further that the Long Term and Medium-Term beneficiaries of the Transmission System shall pay no other charges for the use of Transmission Network of STU.

Provided also that the transmission charges shall be payable by the short-term open access consumers for the scheduled energy drawl at per kWh rate as worked out by dividing the annual transmission charges by the total volume of energy transmitted by the transmission licensee during the previous year. Provided further that Intra-State charges payable by the Open Access Consumers shall not be applicable on short term Open Access power purchase / sales by the Distribution Licensee.

51. SHARING OF CHARGES FOR INTRA-STATE TRANSMISSION NETWORK IN CASE OF MULTIPLE TRANSMISSION LICENSEES

51.1 Determination of Monthly Transmission Tariff (MTT)

51.1.1 The aggregate of the yearly revenue requirement for all Transmission Licensees, less the deductions, as approved by the Commission for a financial year, shall form the “Total Transmission Cost” (TTC) of the Intra State transmission system, to be recovered from the Long-term and Medium term Transmission System Users (TSUs) for that financial year, in accordance with the following formula:

$$TTC = \sum_{i=1}^n (ARR_i - NT_i - O_i) - STR$$

Where,

TTC = Total Transmission Cost for the financial year

n = Number of Transmission Licensee(s)

ARR_i = Aggregate Revenue Requirement approved by the Commission for ith Transmission Licensee for the financial year

NT_i = Approved level of non-tariff income for ith Transmission Licensee for the financial year

O_i = Approved level of income from other business of the ith Transmission Licensee for the financial year

STR = Revenue from short-term open access charges recovered and not allowed to be retained during previous financial year.

Provided that the revenue from short-term open access charges for each year of Control Period shall be taken to be same as that prevalent during the base year. However, the adjustments due to variation in actual revenue from short-term open access charges shall be undertaken during annual truing up:

Provided further that ARR of the Transmission Licensee, in case of transmission projects selected through competitive bidding, shall be the Transmission Service Charge (TSC) for relevant year as per the Transmission Service Agreement (TSA) approved and adopted by the Commission in accordance with Section 63 of the Act.

51.1.2 The Total Transmission Cost (TTC) as determined by the Commission as per Regulation 51.1.1 above, shall be shared by all long-term and medium-term open access consumers on monthly basis (including existing Distribution Licensees) in the

same manner as provided for in Regulation 50 for sharing of annual transmission charges.

52 RECOVERY OF CHARGES BY SLDC FROM BENEFICIARIES

“The annual charges of SLDC determined as per Regulations 6 and 16, shall be recovered as a single composite charge from the beneficiaries as under:

(1) Intra-State transmission licensee	8% of Annual SLDC Charges
(2) Generating stations and sellers	46% of Annual SLDC Charges
(3) Distribution licensee and buyers	46% of Annual SLDC Charges

(i) The SLDC charges shall be levied by the Transmission licensees / STU, also designated as the SLDC, on the basis of weighted average of the lines (Ckt. km) owned by the Intra State Transmission Licensee(s) as on the last day of the month prior to billing of the month.

Ckt. Km 400 kV MF 4 product

Ckt. Km 220 kV MF 2.2 product

Ckt. Km 132kV MF 1.32 product

Ckt. Km 66 kV MF 0.66 product

Total __XXX__

Therefore, the SLDC charges for transmission licensee

= $8\% \times (\text{annual SLDC charges} \times \text{weighted Ckt Km of concerned transmission licensee}) / \text{total weighted Ckt. Km of all transmission licensees}$

(ii) The SLDC charges from the generating companies and sellers (which Exclude short term open access consumers) shall be collected in proportion to their installed capacity /contracted capacity as on the last day of the month prior to billing of the month.

(iii) The SLDC charges from distribution licensees and buyers (which exclude short term open access consumers) shall be collected in proportion to the sum of their allocated transmission capacity in MVA as on the last day of the month prior to billing of the month.

(iv) SLDC charges shall be collected on monthly basis.

(v) Any deviation in the value of annual SLDC charges determined and collected from the beneficiaries shall be true-up during the mid-year performance review and true-up.

(vi) For the purpose of recovery of SLDC charges from the entity which has entered into a long term open access / Medium Term open access agreement with STU, shall be considered under the category in which it has applied/signed the Long Term/Medium Term Open Access agreement i.e. generator/supplier or distribution licensee/buyer”.

53 RECOVERY OF SLDC CHARGES FROM SHORT TERM OPEN ACCESS CONSUMERS

The short-term open access consumers shall pay composite SLDC charges as provided in HERC (Terms and conditions for grant of connectivity and open access for intra-State transmission and distribution system), Regulations, 2012 as amended from time to time. The total receipt of SLDC charges from short term open access consumers shall be utilised to reduce the SLDC charges payable by the beneficiaries.

54. BILLING AND PAYMENT OF CHARGES

54.1 The State Transmission Utility shall raise bills for SLDC and transmission charges payable by the beneficiaries on a monthly basis. The STU shall raise bills for UI charges on weekly basis as and when intra state ABT is implemented. UI accounting procedures shall be governed by intra-state ABT Regulations to be notified by the Commission as amended from time to time.

54.2 Rebate for early payment

In case of early payment of bills of transmission and other charges the rebate as under shall be admissible:

Days from the date of receipt of bills of transmission charges	Rebate (%)
0-7	2
8-14	1
15-21	0.5
22-30	0.25

54.3 Late payment surcharge

In case the payment of bills of transmission and other charges by the beneficiary is delayed beyond a period of 30 days from the date of

receipt of bill, a late payment surcharge of 0.04% per day shall be payable by the beneficiary.

55. Quality of Supply

The Commission shall monitor the following Quality of Transmission parameters during the Control Period.

a) Transmission System Availability

b) Transformer Failure across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the Transmission System over a specified period of time.

c) System Reliability

The Transmission Licensee in its Business Plan filings shall submit and propose the trajectory for the achievement of quality targets including reduction in the frequency of interruptions. The Commission shall specify the targets for each parameter. The Transmission Licensee shall submit its performance on each parameter in the form and manner specified by the Commission. In the case of frequency of interruptions being high the same will have bearing on the level of incentive allowed for availability.

The Transmission Licensee shall achieve redundancy in their system and move towards N-1 criteria for their system planning. Also, Transmission Licensee shall focus in setting up 220/33 kV S/s for ultimate usage of the end consumer and shall avoid setting up new 132kV S/s or such voltage levels S/s whose consumers are not in place.

56. Safety Standards

The Transmission Licensee shall develop a Safety Manual and follow procedure to maintain the safety standards during construction, operation, etc. in line with the provisions of CEA (Measures relating to Safety and Electric Supply) Regulations, 2010 as amended from time to time.

**PART VII - PRINCIPLES FOR DETERMINATION OF TARIFF AND NORMS OF
OPERATION FOR DISTRIBUTION BUSINESS**

57. NORMS OF OPERATION FOR DISTRIBUTION LICENSEE

The norms of operation for distribution licensee shall be as under:

57.1 Distribution loss

- (a) The distribution loss shall be equal to the difference between the energy injected into the distribution system (X) and the sum of energy sold to all its consumers (Y);
- (b) Energy sold shall be the sum of metered sales and assessed unmetered sales, if any, based on approved methodology/ norms. The percentage distribution loss shall be as follows:

$$\text{Percentage distribution loss} = ((X - Y)/X) \times 100$$

- (c) The distribution licensee shall file the loss trajectory in the business plan commensurate with the capital investment plan. The Commission after verification and evaluation of the same shall approve the loss trajectory for each year of the control period;
- (d) The distribution loss level will be linked to a normative load factor for unmetered agriculture consumers. The distribution licensee shall establish consumption of unmetered agriculture consumers through a representative and reliable energy audit/sample tube well metering/sample DT metering/ meter readings of the 11 kV segregated AP feeders and submit requisite data for consideration of the Commission.

Provided that the Distribution loss trajectory for the control period shall be decided by the Commission in the MYT Order, considering the past performance data, estimate of distribution losses for each year of the control period submitted by the Distribution Licensees in their MYT Petition, industry bench marks/norms and after consideration of other relevant factors considered appropriate by the Commission. The distribution licensee shall submit appropriate feeder wise losses data along with its plans to bring the same within the industry benchmark and accordingly calculate and submit the loss reduction trajectory along with the MYT petition for the first year of the second control period.

- (e) In the absence of requisite data in respect of such energy audit / sample surveys / sample DT metering/ meter readings of segregated 11kV AP feeders, the Commission shall not accept the claim of the distribution

licensee and may proceed to fix the loss levels and the load factor for unmetered agriculture consumption on the basis of the information available with it; The distribution licensee shall furnish within a period of six months from the date of notification of these Regulations, computation of supply voltage - wise and consumer category wise distribution and AT&C losses;

- (f) Any overachievement and underachievement of the loss trajectory shall be subject to incentive and penalty framework specified in Regulation 12. The distribution licensee(s) shall provide a statement to this effect in the mid-year performance review and true-up.

Provided that the financial impact on account of over or under achievement of Distribution Loss target shall be computed as under:

$$\text{Incentive or (Penalty)} = Q1 * (L1 - L2) * P * 10^6$$

where,

Q1 = Actual quantum of Energy purchased at Distribution periphery in MU;

L1 = Distribution Loss Target in %;

P = Trued up Average Power Purchase Cost (APPC) per unit at Distribution periphery in Rs./kWh;

$$L2 \text{ (Actual Distribution Loss in \%)} = \left[1 - \frac{Q2}{Q1} \right] * 100;$$

Q2 = Actual quantum of Energy Billed in MU.

57.2 Collection Efficiency

The norms for Collection Efficiency for the distribution licensee(s) shall be 99.50% for every year of this Control Period.

Besides the Collection Efficiency, the Commission shall also monitor the recovery of arrears of previous years for which the Commission shall prescribe the targets and shall accordingly assess the performance of the licensee with regard to recovery of arrears.

Any over achievement or under achievement in respect of Collection Efficiency and recovery of arrears shall be subject to incentive and penalty framework as specified in Regulation 12.

57.3 AT&C Losses

The Distribution Licensee shall file AT&C Loss trajectory for monitoring AT&C Losses.

The percentage AT&C losses shall be calculated as per the following formula:

$$\% \text{ AT\&C losses} = 100 - \text{CE} \times (1 - \text{DL} / 100)$$

Where: CE is the % Collection Efficiency and
DL is the % Distribution Loss

57.4 Operation and Maintenance Expenses

The actual audited expenses for the financial year preceding the base year, subject to prudence check, shall be escalated at the escalation factor of 4% to arrive at the Employee Costs and Administrative and General Costs for the base year of the control period. The O&M expenses for the n^{th} year of the control period shall be approved based on the formula given below.

$$\text{O\&M}_n = (\text{R\&M}_n + \text{EMP}_n + \text{A\&G}_n) * (1 - X_n) + \text{Terminal Liabilities}$$

Where,

- R&M_n - Repair and Maintenance Costs of the Distribution Licensee(s) for the n^{th} year;
- EMP_n - Employee Costs of the Distribution Licensee(s) for the n^{th} year excluding terminal liabilities;
- A&G_n - Administrative and General Costs of the Distribution Licensee(s) for the n^{th} year;

The above components shall be computed in the following manner.

$$(a) \text{ R\&M}_n = K * \text{GFA} * \text{INDX}_n / \text{INDX}_{n-1}$$

Where,

- 'K' is a constant (expressed in %) governing the relationship between O&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of K will be 1.65% for DHBVN and UHBVN respectively for the entire control period;
- 'GFA' is the average value of the gross fixed asset of the n^{th} year.
- 'INDX_n' means the inflation factor for the n^{th} year as defined herein after.

$$(b) \text{ EMP}_n(\text{excluding terminal liabilities}) + \text{A\&G}_n = (\text{EMP}_{n-1} + \text{A\&G}_{n-1}) * (\text{INDX}_n / \text{INDX}_{n-1})$$

Where,

- INDX_n - Inflation Factor to be used for indexing the Employee Cost and A&G cost. This will be a combination of the Consumer Price

Index (CPI) and the Wholesale Price Index (WPI) for immediately preceding year and shall be calculated as under:

▪ $INDX_n = 0.55 * CPI_n + 0.45 * WPI_n$.

Note 1: For the purpose of estimation, the same $INDX_n$ value shall be used for all years of the control period. However, the Commission shall consider the actual values of the $INDX_n$ at the end of each year during the annual performance review exercise and true-up the employee cost and A&G expenses on account of this variation.

Note 2: Any variation in employee cost and A&G cost on account of reasons beyond variation in $INDX_n$ shall be subject to the incentive and penalty framework specified in Regulation 12.

Note 3: As and when any material price index specific to power sector or a more relevant Index becomes available, the same shall replace the Index used for working out R&M cost.

Note 4: Terminal liabilities shall be approved as per actual expenditure incurred by the distribution licensee or established through actuarial valuation for the ensuing year.

Note 5: O&M expenses made on account of extraordinary situations (if any) shall be submitted to Commission for its approval. Such expenses shall be filed separately and will not be subjected to incentive and penalty framework. The approved amount by the Commission shall be true-d up in the annual performance review.

Note 6: Changes in the pay scales of employees necessitated on account of pay revision by Pay Commission or by the State Government orders shall be considered by the Commission for true-up during the annual performance review.

Note 7: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor of Government of India in the previous year;

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India in the previous year

(c) X_n is an efficiency factor for n^{th} year

The Value of X_n will be determined by the Commission in the MYT order for the control period.

58 SALES AND POWER PURCHASE VOLUME

58.1 The distribution licensee shall forecast monthly sales for each customer category and sub-categories for all years of the control period in their business plan and ARR filings, for review and approval by the Commission.

58.2 So long as there are any un-metered agriculture consumers, the sales forecast for unmetered agriculture consumer shall be validated with norms approved by the Commission on the basis of a proper study carried out by the distribution licensee.

Note: These norms can be revised by the Commission based on actual data or better estimates made available by the distribution licensee.

58.3 The Commission shall examine the forecasts for their reasonableness based on growth in the number of consumers, pattern of consumption, losses and demand of electricity in previous years and anticipated growth in the subsequent years and any other factor, which the Commission may consider relevant and approve the sales forecast with such modifications as deemed fit;

58.4 Sale of electricity, if any, to electricity traders or other distribution licensee or outside state sales through banking etc. shall be separately indicated;

58.5 The distribution licensee shall also indicate consumer category-wise open access consumers. The demand and energy wheeled for them shall be shown separately for:

- (i) Supply within its area of supply; and
- (ii) Supply outside its area of supply;

58.6 Based on the above, the distribution licensee shall project month- wise and source-wise power purchase requirement for each year of the control period.

58.7 The Commission shall scrutinize and approve the requirement for purchase of power with such modifications as deemed fit, for each year of the control period;

58.8 Any power purchased by the distribution licensee over and above the requirement of power approved by the Commission or variation in the mix of power purchased in any year shall be considered by the Commission if it is for reasons beyond the control of the distribution licensee(s). The Commission shall, however, estimate the revenue from

such sales and allowable quantum of power purchase based on target losses as per the FSA mechanism approved by the Commission. The resultant cost and revenue shall be adjusted during true-up exercise for the said financial year in the next year's tariff;

58.9 Any financial gain or loss on account of power purchased by the licensee in any year over and above the approved level and not covered in the above sub Regulations shall be borne by the licensee.

59. COST OF POWER PURCHASE

59.1 The distribution licensee shall be allowed to recover the cost of power it procures from all approved sources including the power procured from the State-owned generating stations, independent power producers, Central generating stations, renewable energy sources and others, for supply of power to consumers, based on the sales forecast and losses for the distribution licensee approved by the Commission for each year of the control period;

59.2 Approved retail sales level shall be grossed up by normative level of T&D losses as specified by the Commission in the approved loss trajectory for the purpose of arriving at the quantity of power to be purchased;

59.3 While approving the cost of power purchase, the Commission shall determine the quantum of power to be purchased from various sources in accordance with the principles of merit order schedule and despatch based on a ranking of all approved sources of supply in the order of their variable cost of power. All power purchase costs will be considered legitimate unless the Commission concludes that the merit order principle has been violated or power has been purchased at unreasonable rates except for marginal purchases of transient nature beyond the control of the licensee subject, however, to Regulation 59.2;

59.4 The cost of power purchased by the distribution licensees from generating stations of HPGCL shall be worked out based on the tariff determined by the Commission. The cost of power purchase from central generating stations shall be worked out based on the tariff determined by the CERC. Similarly, the cost of power purchased from nuclear power stations of Nuclear Power Corporation of India Ltd. (NPCIL) shall be worked out on the basis of tariff notified by the Departmental of Atomic Energy under the Atomic Energy Act, 1961. In case of bilateral transactions, the rates as per PPAs approved by the

Commission shall be considered. The cost of power purchase from other generating companies / sources shall be worked out based on invoices raised by the generators during the previous year. In absence of above, rates based on bills of energy purchased during the previous 3 months shall be considered by the Commission.

59.5 The cost of power purchase from non-conventional energy sources shall be based on the tariff determined by the Commission as per renewable energy Regulations notified by the Commission and as amended from time to time or as per the PPAs approved by the Commission.

59.6 Subject to provisions of clause 59.3, any variation in cost of power purchase at the allowed transmission loss level, for reasons beyond the control of the distribution licensee, shall be allowed to be recovered by the distribution licensee by way of FSA, as per the formula approved by the Commission and as amended from time to time. The procurement price to be adopted for working out variation in the cost of power beyond approved power purchase volume shall be the generation tariff approved by the Commission, the rate discovered through competitive bidding and adopted by the Commission or the short-term rates approved by the Commission.

59.7 Any loss on account of increase in power purchase cost, not covered above, shall be borne by the distribution licensee subject to regulations 12 regarding sharing of gains and losses.

59.8 The Renewable Purchase Obligation (RPO) of the distribution licensee shall be as per the renewable energy Regulations notified by the Commission as amended from time to time.

60. SHORT-TERM POWER PROCUREMENT

60.1 The distribution licensee shall submit a rolling quarterly forecast of the quantum of short-term power to be purchased for the year for the Commission's approval. The forecast shall be based on monthly sales forecast, the power available from approved long-term sources of power, merit order dispatch of available sources, banking with other distribution utilities, load curtailment, time of its requirement, availability of short-term power and the expected price. The distribution licensee shall provide the basis for forecast of short-term power procurement price including the criteria for evaluation of alternative options;

60.2 The Commission shall indicate the ceiling of short-term power purchase price and volume for the ensuing quarter based on the

availability of power, past requirement, approved quantum of short-term power in ARR, approval granted for past quarter and past market performance. The Commission may ask for additional information and data as it may deem necessary for reviewing the forecast for the ensuing quarter and the distribution licensee shall furnish such information within 2 weeks from being asked to do so;

- 60.3 If there is a short term requirement of power by the distribution licensee over and above the quantum as approved by the Commission and such requirement is on account of any factor beyond the control of the distribution licensee (shortage/non-availability of fuel, snow capping of hydro resources inhibiting power generation in sources stipulated in the plan, unplanned/forced outages of power generating units or acts of God), then the cost shall be directly passed on to the consumers through FSA mechanism.

Provided that the cost of the additional power shall be allowed at the ceiling price for short term power determined by the Commission in accordance with Regulation 60.2.

Provided further that in such a case, the distribution licensee shall inform the Commission about the purchase of power over and above approved quantum with all of the supporting documents. Unless the Commission is satisfied that the additional power is within the ceiling price of short-term power determined by the Commission, it may disallow the quantum and cost of this short-term power procurement in the True-Up order.

- 60.4 The variation in actual quantum and price of short-term power vis-a-vis the quantum and price of short-term power approved by the Commission shall be subjected to prudence check by the Commission and shall be adjusted on yearly basis along with the annual performance review based on the price and quantum cap determined by the Commission for each quarter as mentioned in the above Regulation.

61. TRANSMISSION AND SLDC CHARGES

- 61.1 The Inter-State transmission charges shall be estimated as per the order of the Central Electricity Regulatory Commission
- 61.2 The transmission charges, wheeling charges and other charges payable by the distribution licensee for intra State transmission or wheeling of power purchased by it shall be considered as per tariff determined by the Commission;

61.3 The reactive energy charges payable by the distribution licensee to the transmission licensee shall be payable as per Regulation 5.5.1 of the Haryana Grid Code (HGC) as amended from time to time.

The reactive energy charges paid by the distribution licensee however shall not be recovered through ARR. The capital investment plan to be prepared by the distribution licensee shall include capital investment towards meeting the reactive energy requirement.

61.4 SLDC charges if paid separately in addition to charges for usage of transmission network shall be considered as allowable expenses for the purpose of determination of tariff.

62. WHEELING CHARGES

62.1 The consumers availing wheeling services for 'open access', will be charged a wheeling tariff as determined under these Regulations;

The wheeling charge payable to the distribution licensee by long-term & medium-term open access consumers shall be in Rs. / MW and shall be computed by dividing the approved ARR of the licensee for wheeling business by peak load demand in MW served by the licensee in the preceding year.

Provided that wheeling charges shall be payable by the long-term and medium-term open access consumers on the basis of contracted capacity in MW and by short-term open access consumers on the basis of scheduled energy transactions cleared by the relevant Load Despatch Centre.

Provided further that wheeling charges (Rs. /kWh) payable by the short-term open access consumers during a financial year shall be worked out by dividing the approved ARR (in Rs.) for wheeling business for that year by the gross volume of energy wheeled (kWh) during the relevant year as approved by the Commission.

Provided further that the Distribution Licensee shall be allowed to recover the approved level of wheeling losses arising from the operation of the distribution system, as stipulated in the respective Tariff Order from the short term open access consumers in addition to the wheeling charges as determined above.

62.2 Income from wheeling from open access consumers:

25% of the wheeling charges collected from open access consumers shall be retained by the distribution licensees and the

balance 75% shall be adjusted towards reduction of ARR for the retail supply business.

Provided that Wheeling Losses: The Distribution Licensee shall be allowed to recover the approved level of wheeling losses arising from the operation of the distribution system, as stipulated in the respective Tariff Order.

63. CROSS-SUBSIDY SURCHARGE / ADDITIONAL SURCHARGE

63.1 The cross-subsidy surcharge and additional surcharge under sections 39, 40 and 42 of the Act shall be determined as per the Open Access Regulations notified by the Commission as amended from time to time; Cross-subsidy surcharge shall also be payable by such open access consumer who receives supply of electricity from a person other than the distribution licensee in whose area of supply he is located, irrespective of whether he avails such supply through transmission/distribution network of the licensee or not.

The consumers located in the area of supply of a distribution licensee but availing open access exclusively on inter-State transmission system shall also pay the cross subsidy/additional surcharge.

63.2 The cross-subsidy surcharge and additional surcharge shall be considered as non-tariff income for retail supply. The licensee shall provide the consumer category-wise details of the cross - subsidy and additional surcharge received during the year along with the tariff filings.

63.3 The distribution licensee shall also submit along with ARR, requisite calculation for determination of cross subsidy surcharge and additional surcharge for consideration of the Commission. The cross-subsidy surcharge and additional surcharge shall be payable as determined by the commission from time to time.

64 BAD AND DOUBTFUL DEBTS

Bad and doubtful debts shall be allowed to the extent the distribution licensee has actually written off bad debts subject to a maximum of 0.5% of sales revenue. However, this shall be allowed only if the distribution licensee submits all relevant data and information to the satisfaction of the Commission. In case there is any recovery of bad debts already written off, the recovered bad debts will be treated as other income.

Treatment of Demand Side Management Initiatives

The Commission shall introduce various policies like Time of Day (ToD) Tariff pertaining to Demand Side Management in order to flatten the Load Curve of the State and optimise the Power Purchase Cost.

Provided also that Distribution Licensee shall submit the utilization of funds allocated for DSM schemes and shall maintain separate records of Revenue/Expenditure related to individual DSM schemes approved by the Commission.

65 QUALITY AND RELIABILITY OF SUPPLY

65.1 Distribution Transformers failure rate

- (i) The commission shall specify the norms for maximum permissible distribution transformers' failure rate separately for urban and rural areas in the MYT order;
- (ii) In case the maximum permissible failure rate of distribution transformers exceeds the limits specified above, the return on equity in Rs. crores shall be reduced as mentioned below

For Rural Areas

Absolute increase (%) in distribution transformers failure rate from the norm	Percentage reduction in ROE (Rs. Crores).
0	0
>0≤5 %	1%
>5≤10 %	2%
>10≤15%	3%
>15≤20%	5%
>20	5%+ Absolute increase (%) / 20%

For Urban Areas

Absolute increase (%) in distribution transformers failure rate from the norm	Percentage reduction in ROE (Rs. Crores)
0	0
>0≤2.5%	1%
>2.5≤5%	2%
>5≤7.5%	3%

>7.5≤10%	5%
>10 %	5%+ Absolute increase (%) / 10%

Example: In case actual damage rate is 7% against normative damage rate of 5%, then absolute increase is 2 %.

(iii) The distribution licensee shall maintain a proper record of failure of the distribution transformers and submit the same in the quarterly report to the Commission.

65.2 Monitoring progress on Standards of Performance

- (i) The distribution licensee shall provide requisite report on the progress of compliance of the performance parameters as specified in the HERC (Standards of Performance for the Distribution licensee) Regulations, 2004 as amended from time to time;
- (ii) The transmission licensee shall also provide requisite report on the progress of compliance of the performance parameters as may be specified by the Commission in the “Standards of Performance for the Transmission Licensee Regulations” to be notified by the Commission and as amended from time to time.
- (iii) In case the distribution/transmission licensee fails to submit the report to Commission or delays the submission by more than 2 months, the commission may reduce the return on equity by 0.50% if the licensee is not able to provide adequate justification for the delay.
- (iv) The distribution licensee shall submit and upload on their website circle-wise quarterly report containing the following for their respective circle: -
- (a) Details of expenditure along with cost benefits analysis of each expenditure costing above Rs. 2.50 lakh
 - (b) Distribution loss along with the reason for loss above 15%
 - (c) Status of pending connections (numbers & load)
 - (d) Sale of power and billing done in the previous quarter along with the status of recovery.
 - (e) Failure rate of transformers under warranty/out of warranty separately for rural & urban area
 - (f) Three phase and single-phase defective meters pending for replacement

(v) The distribution licensee shall not distribute power to any category of consumers free of cost. No approval from the Commission shall be sought in this regard.

(vi) The distribution licensee shall submit Voltage wise loss data along-with their True-up Petitions.

65.3 Audited Information

The Distribution Licensees shall submit the following Audited Information for the relevant Financial Year along-with their True-up Petitions:

- a) Category wise Sales
- b) Category-Wise Break up of Revenue Billed
 - o Fixed Charges,
 - o Energy Charges,
 - o Fuel Adjustment Surcharge etc.
- c) Category-wise Revenue Collected

66 FUEL AND POWER PURCHASE COST SURCHARGE ADJUSTMENT (FSA)

66.1 The distribution licensees shall recover FSA amount on account of increase in fuel and power purchase costs from the consumers on a quarterly basis so as to ensure that FSA accrued in a quarter is recovered in the following quarter without going through the regulatory process i.e. FSA for the quarter "July to September" is recovered in the following quarter "October to December".

66.2 FSA shall be calculated only in respect of approved power purchase volume including short term power purchase cost, if any, for the relevant year from all approved sources. Drawl of power under UI mechanism, if any, shall be allowed only when it is not in violation of grid discipline and shall be subject to a price cap of average revenue realisation from all consumer categories for that year.

Average revenue realisation = (Total revenue assessed for electricity supply in Rs + Government Subsidy in Rs) / Total sales in Units.

66.3 For the purpose of recovery of FSA, power purchase cost shall include all invoices raised by the approved suppliers of power and credits received by the distribution licensees during the quarter irrespective of the period to which these pertain for any change in cost in accordance

with tariff approved by any regulator/ government agency mentioned in Regulation 59.4. This shall include arrears/refunds, if any, not settled earlier. In case data of the last month in a quarter is not available for calculating FSA to be levied in the following quarter, the licensee shall use an estimate based on available data of the first two months of the quarter. On availability of the actual figures, the difference on this account shall form part of FSA of the subsequent quarter. If the actual data for any quarter is not made available by the licensee before the end of the following quarter for this adjustment, the FSA finally allowed for that quarter based on actual figures supplied after the prescribed date shall be limited to the earlier estimated amount or the amount based on the actual figures, whichever is lower.

- 66.4 In case of negative FSA, the credit shall be given to the consumers by setting off the minus figure against the positive figure of FSA being charged from the consumers. In other words, credit of FSA shall be given only against FSA being charged so that the base tariff determined by the Commission remains unchanged.
- 66.5 Only the allowed percentage of transmission and distribution losses for the relevant year as per the approved ARR shall be considered for working out FSA.
- 66.6 The amount of FSA shall be recovered by each distribution licensee by charging a uniform FSA (per kWh) across all consumer categories in his area of license.
- 66.7 For moderation purposes, the recovery of per unit FSA shall be limited to 15% of the approved per unit 'average power purchase cost' or such other ceiling as may be stipulated by the Commission from time to time. For calculating FSA, variations in quarterly purchase volume from an approved source are allowed subject to an overall ceiling of annual approved volume from that source. In case a portion of the FSA for any quarter is not recovered due to the ceiling of 15%, the under recovered amount shall be added to the FSA for the next quarter.
- 66.8 Per unit rate of FSA (paisa/kWh) shall be worked out after rounding off to the nearest paisa;
- 66.9 The distribution licensee shall submit details relating to FSA recovery to the Commission for each quarter in the following format by the end of the following quarter.

(i)	Approved power purchase volume from approved sources (MU)
(ii)	Approved power purchase cost (Rs. million)
(iii)	Actual power purchase volume (MU)
(iv)	Power purchased (MU) from sources not covered under Regulation 66.2 giving source wise details and in case of UI the frequency at which UI draws were made. (disallowed power purchase)
(v)	Actual cost of power purchase from all sources except (iv) (Rs. million)
(vi)	Actual cost of disallowed power purchase relating to (iv) (Rs. million)
(vii)	Total FSA estimated to be recovered for the quarter (Rs. million)
(viii)	FSA per unit (Rs/kWh) being recovered during the following quarter
(ix)	Actual FSA recovered/estimated to be recovered out of estimated FSA till the end of the following quarter (Rs. million)
(x)	Under/ over recovered FSA (vii-ix) (Rs. million)
(xi)	Approved sales (Consumer category wise / month wise) for the quarter (MU)
(xii)	Actual sales (Consumer category wise / month wise) for the quarter (MU)
(xiii)	Estimated sales, consumer category wise, for the following quarter (MU)

Note:

1. All the source-wise details should be supported with requisite documentary evidence / invoices raised by the generators / suppliers of the power.
2. Actual sales to AP consumers are to be calculated in accordance with the methodology approved by the Commission in the ARR for the relevant year.

66.10 FSA (Rs/kWh) shall be worked out as per the following formula:

$$\text{Total FSA (Rs million)} = \text{PC} + I_{nt} + A_{dJst}Q + (A_{dJst}A/4)$$

$$\text{FSA (Rs / kWh)} = \{\text{PC} + I_{nt} + A_{dJst}Q + (A_{dJst}A/4)\} \div \text{PS}$$

Where

- $PC = \{(Actual\ average\ power\ purchase\ cost\ (Rs/kWh)\ for\ the\ quarter) - (Average\ power\ purchase\ cost\ (Rs/KWh)\ approved\ by\ the\ Commission\ for\ the\ relevant\ year)\} \times PP$
- $PP =$ Total volume of power purchase during the quarter worked out based on total volume of powers sold to all the consumer categories grossed up by approved T&D loss. Sales to AP consumers are to be worked out in accordance with the methodology approved by the Commission in the ARR for the relevant year (MU).
- $PS =$ Estimated sales volume for the following quarter with AP sales as approved by the Commission in the ARR for the relevant year (MU).
- Actual average power purchase cost (Rs. /KWh) = (total cost of power purchased during the quarter from approved sources and UI as per Regulation 66.2 in Rs million) / (total volume of power purchased in the quarter from approved sources and UI in MU) as per Regulation 66.2)
- $I_{nt} =$ Additional working capital cost allowed on account of FSA amount to be worked out as under:
$$I_{nt} = \{(total\ FSA/12) \times (interest\ rate\ allowed\ for\ calculation\ of\ working\ capital\ in\ the\ ARR\ of\ the\ current\ financial\ year)\}$$
 in Rs million.
- $A_{dJst}Q =$ Under/over recovered FSA of the previous quarter in accordance with Regulation 66.3 and 66.7 in Rs million.
- $A_{dJst}A =$ Annual adjustment amount based on truing up of the FSA of the previous year by the Commission in Rs million.

66.11 The licensee shall ensure that the Actual/ estimated FSA arising in a quarter is recovered in the following quarter. In case the licensee does not ensure levy of FSA based on the methodology given herein, the licensee shall have no claim to recover the FSA from the consumers in any manner in any subsequent period except in accordance with Regulation 66(3) and 66(7). The unrecovered FSA for the previous financial year, details of which are supplied to the Commission by the distribution licensee, may either form part of power purchase cost for the next financial year or may be allowed to be recovered as annual adjustment amount in the quarterly recovery of FSA in the next financial year as the Commission may decide.

66.12 In case Government of Haryana decides to provide subsidy on account of FSA to a particular consumer category, the amount of subsidy equivalent to the FSA recoverable from the concerned consumer

category, shall be deposited in advance by the Govt. Otherwise the recovery shall be affected from the consumer through electricity bills. It shall be the responsibility of the distribution licensees to seek prior approval of the State Government in this regard and maintain appropriate record of the same.

67. NON-TARIFF INCOME

67.1 All incomes being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, meter rent, income from investments other than contingency reserves, miscellaneous receipts from the consumers, etc shall constitute non-tariff income of the licensee;

67.2 The amount received by the distribution licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement.

Provided that the distribution licensee shall submit full details of his forecast of non-tariff income to the Commission in such form as may be stipulated by the Commission from time to time.

Provided that Late Payment Surcharge and Interest on Late Payment earned by the Distribution company shall not be considered under Non-tariff Income.

67.3 The "non-tariff income" shall include but shall not be limited to the following:

- a. Income from rent of land or buildings or other assets;
- b. Income from sale of land and other assets;
- c. Income from sale of scrap;
- d. Income from statutory investments;
- e. Income from interest on contingency reserve investment;
- f. Interest on advances to suppliers/contractors;
- g. Rental from staff quarters;
- h. Rental from contractors;
- i. Income from hire charges from contactors and others;
- j. Income from advertisements, etc.;
- k. Miscellaneous receipts;
- l. Interest on advances to suppliers;

- m. Excess found on physical verification;
- n. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- o. Prior period income, etc.

68. SUBSIDY

68.1 Pursuant to Section 65 of the Electricity Act, 2003 in case the State Government requires grant of any subsidy to any consumer or class of consumers in the tariff determined under Section 62, the distribution licensee should ensure that the State Government shall, notwithstanding any direction which may be given under Section 108, pay in advance the requisite amount as determined by the Commission to compensate the distribution licensee affected by the grant of subsidy.

68.2 A tariff reflecting subsidy shall not be implemented except to the extent that the State Government has paid the subsidy to the distribution licensee in advance of supply to the consumers of the distribution licensee entitled to benefit from it. In publishing its tariff, the distribution licensee shall inform its consumers that the approved tariff calculated without subsidy shall apply if the State Government subsidy is not so paid as determined by the Commission. The, 'bill' issued by the distribution licensee shall clearly indicate:

- a) the tariff determined by the Commission;
- b) the amount of State Government subsidy, the rate and period;
- c) the net amount payable by the consumer;

68.3 The amount of subsidy agreed to by the State Government may be provided in the form of payment in cash in advance as per section 65 of Electricity Act or by book adjustment of net dues payable by the distribution licensee to the State Government. The book adjustment shall be done on the basis of cash in hand with the distribution licensee and not on an accrual basis in respect of dues to be collected by the distribution licensee from consumers on behalf of the State Government.

69An INTER CATEGORY CROSS-SUBSIDY

69.1 The distribution licensee's tariff proposal should reflect the reasonable cost of providing service to each consumer class. In case where tariffs are historically distorted with significant level of cross-subsidy, the aim should be to gradually move to non-cross subsidized tariffs.

69.2 In the annual performance review and tariff application, the distribution licensee shall include a report on how far they have implemented the

cross-subsidy reduction trajectory approved by the Commission for reduction of cross-subsidy and the measures being proposed in the current application to implement the plan.

PART VIII - FILING OF AGGREGATE REVENUE REQUIREMENT

70. Capital Investment Plan and Business Plan Filings

The distribution licensee shall file by 1st June and the generating company and the transmission licensee by 1st August of the first year of the control period or any other date as may be directed by the Commission, an application containing the following elements for the approval of the Commission, along with requisite fee in accordance with the provision of HERC (Fee) Regulation, 2005:

- (a) Capital Investment Plan as per details specified in Regulation 9.
- (b) Business Plan as per details specified in Regulation 10.

71. Tariff Filings

71.2 Tariff filing for the control period under MYT framework

71.2.1 The generating company and the licensees shall file an application for approval of ARR for their respective businesses for each year of the control period and tariff for the first year of the control period consistent with the business plan and the capital investment plan approved by the Commission. The ARR and tariff filing shall be filed by 30th November of the year preceding the 1st year of the control period along with requisite fee in accordance with the provisions of Haryana Electricity Regulatory Commission (Fee) Regulations amended from time to time. The application shall contain all the components of the ARR and tariff as provided in these Regulations;

The MYT filing shall also contain an application for mid-year performance review of and true - up petition.

71.2.2 The generation company and the licensees shall provide in the application forecast for each year of the control period of the various financial and operational parameters of ARR & various other components of the ARR and tariff relating to their respective businesses as mentioned in these Regulations. The application, in case of a distribution licensee and a transmission licensee shall also include:

(i) For distribution licensee

- (a) Sales / demand forecast for each consumer category and sub-categories for each year of the control period and the methodology and rationale used;
- (b) Power procurement plan based on the sales forecast and distribution loss trajectory for each year of the control period. The power

procurement plan should also keep in view energy efficiency and demand side management measures;

(c) A set of targets proposed for other controllable items such as collection efficiency, recovery of bad debts, working capital, quality of supply targets, etc. The targets shall be consistent with the capital investment plan and business plan approved by the Commission;

(d) Expected revenue from the licensed business, non-tariff income and income from other business for the base year and first year of the control period and other matters considered appropriate by the distribution licensee(s);

(e) Number of consumers in each category, connected load in kW / kVA.

Voltage wise estimates losses and cost of supply for various consumer categories per kW and per kWh / kWh

(f) The ARR for different years of the control period, the revenue gap and tariff proposal for meeting the revenue gap for first year of the control period. The tariff proposal should be based on the cost of supply for various consumer categories and the cross-subsidy reduction road map.

(g) Proposal for meeting the projected cumulative revenue gap for first year of the control period which shall include mechanism for meeting the proposed revenue gap, tariff revision for various consumer categories etc. In the absence of tariff proposal, the application/petition shall be considered as incomplete and shall be liable for rejection.

(h) A statement of the effect of the proposed tariff changes on a typical small, average and large consumer in each tariff class. For this purpose, a typical small consumer is defined such that within the tariff class, 90% of the consumers supplied under that tariff within a 12-month period would have greater total expenditure on tariff charges than the small consumer. Similarly, a typical large consumer is defined such that 90% of the consumers supplied under the tariff would have lesser expenditure over a 12-month period than the typical large consumer. The average consumer shall be defined as a consumer having expenditure on tariff charges equal to the average expenditure in that tariff class.

(ii) **For transmission licensee**

(a) The Transmission system or network usage forecast for each year of the Control Period, consistent with the Business Plan;

(b) Proposal for transmission tariff design for each year of the Control Period, including the losses to be charged and the procedure thereof;

(c) Proposal for transmission tariff for each year of the Control Period supported by the adequate justification;

(d) Estimates of Transmission Capacity allocated to each of the Transmission system user for each year of the control period

(e) Proposal for reactive energy charges;

(f) Proposal for SLDC charges (in case SLDC is controlled by the transmission licensee);

(g) Expected Revenue from the licensed Business, Non-Tariff Income and income from Other Business and other matters considered appropriate by the Transmission Licensee.

71.3 The generating company and the licensee shall also provide a copy of their respective ARR/tariff filing to each other and also host the same on their respective websites;

71.4 The generating company and the licensees, within 7 (seven) days of filing of the application for approval of ARR/Tariff, shall publish in Hindi and English in daily newspapers having circulation in the area of licensees /generation company, the contents of the application filed for approval of ARR/Tariff in an abridged form in such manner as the Commission may direct for information of the public and shall provide copies of the application and other documents filed with the Commission at a price not exceeding normal photocopying charges. The generating company and the licensees shall also host the application and other documents on their official websites.

71.5 The distribution licensee shall undertake a separate study to estimate the cost of supply for various consumer categories and submit the same to the Commission for its approval along with the MYT filing;

71.6 The distribution licensee shall also undertake a study for preparation of road map for reduction of cross-subsidy and submit the same to the Commission for its approval along with the MYT filing;

71.7 Notwithstanding anything contained in these Regulations, the Commission may at all times, either Suo motu or on a petition filed by any interested or affected party, determine the tariff, including terms and conditions thereof, of any generating company or the licensee;

71.8 Approval of provisional tariff for a generating station

A Generating Company may also file a petition, not more than six months prior to the anticipated Date of Commercial Operation (COD), for determination of provisional tariff of the Unit or Stage or Generating Station as a whole, as the case may be, based on the capital expenditure actually incurred up to the date of making the petition or a date prior to making of the petition, duly audited and certified by the statutory auditors and the provisional tariff shall be charged from the date of commercial operation of such Unit or Stage or Generating Station, as the case may be.

Provided that the Generating Company shall file a fresh petition in accordance with these Regulations, for determination of final tariff based on actual capital expenditure incurred up to the date of commercial operation of the Generating Station duly certified by the statutory auditors based on Annual Audited Accounts.

Provided further that any difference in provisional tariff and the final tariff determined by the Commission and not attributable to the Generating Company may be adjusted at the time of determination of final tariff for the following year as directed by the Commission.

71.9 Filing for Mid-year performance review, True-up and determination of tariff for ensuing year

The generating company and the licensees shall file their application for mid-year performance review of the current year, true-up of the previous year and tariff for the ensuing year along with requisite fee by 30th November of each year of the control period as per the details mentioned in the Regulation 11 & 13 for the Commission's review, true-up of uncontrollable/controllable items in accordance with Regulation 8.3 and approval of tariff for the ensuing year.

72. TARIFF ORDER

72.1 The Commission shall, within one hundred and twenty (120) days from the receipt of complete application and after considering all suggestions and objections received from the public/other stakeholders:

- (i) Issue a tariff order accepting the application with such modifications or such conditions as may be contained in such order; or
- (ii) Reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and Regulations made thereunder or the provisions of any other law for the time being in force and direct the licensee to resubmit the application after such modifications/amendments as may be directed by the Commission.

Provided that the applicant shall be given a reasonable opportunity of being heard before rejecting the application.

72.2 The tariff so determined by the Commission shall be in force from the date specified in the said order and shall, unless amended or revoked, continue to be in force for such period as may be stipulated therein.

73. PUBLICATION OF APPROVED TARIFF

The generating company and the licensees, as the case may be, shall publish the tariff approved by the Commission in Hindi and English in daily newspapers having wide circulation in Haryana and shall put up the complete tariff petition, including annexure, and approved tariff / tariff schedule on its website and make available for sale, a booklet containing such tariff or tariffs, as the case may be, to any person upon payment of reasonable reproduction charges.

74. PERIODIC REVIEWS

74.1 To ensure smooth implementation of the Multi Year Tariff (MYT) framework, the Commission may undertake periodic reviews of performance during the control period, to address any practical issues, concerns or unexpected outcomes that may arise.

74.2 The generating company and the licensee shall submit information as part of annual review on actual performance to assess the performance vis-à-vis the targets approved by the Commission at the beginning of the control period. This shall include annual statements of its performance and accounts including latest available audited / actual accounts and the tariff worked out in accordance with these Regulations.

74.3 The Commission may approve any modifications to the forecast of the generating company or the licensee for the remainder of the control period, with detailed reasons for the same.

75. SUMMARY OF TIMELINES

Generating company and the licensee shall adhere to the following schedule for various activities for the first control period:

Time Schedule for various activities for the 2nd Control Period

S No	Description	Filing of document	Obtaining additional information and acceptance by the Commission	Approval of the document by the Commission
1	Capital Investment Plan	By 1st June by distribution licensee and by 1st August by the generation company/ transmission licensee for each year of the control period	Within 30 days of filing of document	Within 45 days of acceptance of the filing
2	Business Plan (to be filed only at the beginning of Control Period)	By 1st June by distribution licensee and by 1st August by the generation company/ transmission licensee (only once during the control period)	Within 30 days of filing of document	Within 45 days of acceptance of the filing or from the date of receipt of additional information whichever is later.
3	Filing of MYT Petition (ARR and Tariff Proposal for the control period)	By 30 th November of the year preceding the first year of the relevant year of the control period.	Within 30 days of filing of document	Within 120 days of acceptance of the filing but by 1 st of april of the 1 st year of the control period in any case
4	Mid-Year Performance Review/True-up	By 30 th November of each year of the relevant year of the control period	Within 30 days of filing of document	Within 120 days of acceptance of the filing

PART IX - MISCELLANEOUS

76. HEARING

76.1 The Commission may hold hearing(s) on the ARR/tariff filing and hear such persons as the Commission may consider appropriate to decide on such ARR/tariff filing.

76.2 The procedure of hearing on the ARR/Tariff filing shall be as per the provisions of the HERC (Conduct of Business) Regulations, in vogue or in the manner as the Commission may decide from time to time.

76.3 Where the Commission considers appropriate it may appoint a consultancy firm / external expert in order to arrive at a just and fair conclusion in any matter before it and so appoints some consultancy company, it may require the generating company and the licensee to bear for the costs of such consultancy, which shall be allowed as a pass through in the ARR.

77. ISSUE OF ORDERS AND DIRECTIONS

Subject to the provision of the Act and these Regulations, the Commission may, from time to time, issue orders and directions in regard to the implementation of these Regulations and procedure to be followed on various matters.

78. POWERS TO REMOVE DIFFICULTIES.

If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by a general or special order, not being inconsistent with the provisions of these Regulations or the Act, do or undertake to do things or direct the generating company or the licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

79. POWER TO RELAX

The Commission may in public interest and for reasons to be recorded in writing, relax any of the provision of these Regulations.

80. INTERPRETATION

If a question arises relating to the interpretation of any provision of these Regulations, the decision of the Commission shall be final.

81. SAVING OF INHERENT POWERS OF THE COMMISSION

81.1 Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice or to protect consumers' interest or to prevent the abuse of the process of the Commission.

81.2 Nothing contained in these Regulations shall limit or otherwise affect the inherent powers of the Commission from adopting a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of the matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient to depart from the procedure specified in these Regulations.

81.3 Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Act for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit.

82. ENQUIRY AND INVESTIGATION

All enquiries, investigations and adjudications under these Regulations shall be done by the Commission through the proceedings in accordance with the provisions of the Conduct of Business Regulations, 2004 as amended from time to time.

83. POWER TO AMEND

The Commission, for reasons to be recorded in writing, may at any time vary, alter or modify any of the provision of these Regulations after following the due process.

84. REPEAL

The Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2012 including its subsequent amendments shall stand repealed.

Appendix I

Procedure for Calculation of Transmission System Availability Factor

The procedure for calculation of Transmission System Availability Factor shall be governed as per CERC regulations, issued from time to time.

Appendix II

Depreciation Schedule

S. No	Asset Particulars	Useful life (Years)	Depreciation Rate for first 12 years of the useful life w.e.f COD (Salvage Value = 10%)
A	Land under full ownership	Infinite	0
B	Land under lease		
(a)	for investment in the land	The period of lease or the period remaining unexpired on the Assignment of the lease	0
(b)	for cost of clearing the site	The period of lease remaining unexpired at the date of clearing the date	0
C	Assets purchased new		
(a)	Plant and Machinery in generating plants		
(i)	Hydro electric	35	5.28%
(ii)	Coal based and WHRB based thermal plants	25	5.28%
(iii)	Diesel electric and gas plant	15	5.28%
(b)	Cooling towers & Circulating Water Systems	25	5.28%
(c)	Hydraulic works forming part of the Hydro-electric project		
(i)	Dams, Spillways, Weirs, Canals, Reinforced concrete flumes and siphons	50	5.28%
(ii)	Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge tanks, hydraulic control valves and hydraulic works	35	5.28%
D	Building & Civil Engineering works of a permanent character, not mentioned above		
(i)	Offices and showrooms	50	3.34%
(ii)	Containing thermo-electric generating plant	25	3.34%
(iii)	Containing hydro-electric generating plant	35	3.34%
(iv)	Temporary erections such as wooden structures	-	100%
(v)	Roads other than Kutcha roads	50	3.34%
(vi)	Others	50	3.34%
E	Transformers, Transformer Kiosk, Sub-Station equipment & other fixed apparatus (including plant foundations)		
(i)	Transformers including foundations	25	5.28%

S. No	Asset Particulars	Useful life (Years)	Depreciation Rate for first 12 years of the useful life w.e.f COD (Salvage Value = 10%)
	having rating of 100 KVA and over		
(ii)	Others	25	5.28%
F	Switchgear including cable connections	25	5.28%
G	Lightning arrestors:		
(i)	Station type	25	5.28%
(ii)	Pole type	15	6.33%
(iii)	Synchronous condenser	35	5.28%
H	Batteries	5	5.28%
I	Underground cable including joint boxes and disconnected boxes	35	5.28%
J	Cable duct system	50	5.28%
K	Overhead lines including supports		
(i)	Lines on fabricated steel towers operating at nominal voltages higher than 66 KV	35	5.28%
(ii)	Lines on steel supports operating at nominal voltages higher than 13.2 KV but not exceeding 66 KV	25	5.28%
(iii)	Lines on steel or reinforced concrete supports	25	5.28%
(iv)	Lines on treated wood supports	25	5.28%
L	Meters	15	5.28%
M	Self-propelled vehicles	5	9.50%
N	Air Conditioning Plants		
(i)	Static	15	5.28%
(ii)	Portable	5	9.50%
O	Office equipments		
(i)	Office furniture and furnishing	15	6.33%
(ii)	Office equipment	15	6.33%
(iii)	Internal wiring including fittings and apparatus	15	6.33%
(iv)	Street Light fittings	15	5.28%
P	Apparatus let on hire		
(i)	Other than motors	5	9.50%
(ii)	Motors	15	6.33%
Q	Communication equipment		
(i)	Radio and high frequency carrier system	15	6.33%
(ii)	Telephone lines and telephones	15	6.33%
R	IT equipment	6	15.00%
S	Fibre optic	15	6.33%
T	Any other assets not covered above	15	5.28%

Date: 24.10.2019
Place: Panchkula

(Naresh Sardana)
Member

(Pravindra Singh Chauhan)
Member

(D.S. Dhesi)
Chairman