



भारत का राजपत्र The Gazette of India

असाधारण

EXTRAORDINARY

भाग III—खण्ड 4

PART III—Section 4

प्राधिकार से प्रकाशित

PUBLISHED BY AUTHORITY

सं. 197]

नई दिल्ली, शुक्रवार, जुलाई 11, 2014/आषाढ़ 20, 1936

No. 197]

NEW DELHI, FRIDAY, JULY 11, 2014/ASHADHA 20, 1936

संयुक्त विद्युत विनियामक आयोग
(गोवा राज्य और संघ शासित क्षेत्रों के लिए)

अधिसूचना

गोवा, 30 जून, 2014

नियंत्रण अवधि वित्तीय वर्ष 2015-2018

संयुक्त विद्युत विनियामक आयोग (बहुवर्षीय वितरण प्रशुल्क) विनियम, 2014

सं. जेईआरसी-18/2014.—विद्युत अधिनियम, 2003 (2003 का 36) की धारा 61, 62, 83 और 86 के साथ पठित धारा 181 की उप-धारा (1) और धारा 181 की उप-धारा (2) के खण्ड (जेड डी), (जेड ई) और (जेड एफ) द्वारा प्रदत्त शक्तियों तथा पूर्व प्रकाशनों के बाद इस संबंध में प्राप्त अन्य सभी शक्तियों का प्रयोग करते हुए संयुक्त विद्युत विनियामक आयोग एतद्वारा निम्नलिखित विनियम बनाता है।

भाग-I

प्रारंभिक

1. संक्षिप्त शीर्षक और प्रारंभण

1.1 इन विनियमों को गोवा राज्य और संघ-शासित क्षेत्रों के लिए संयुक्त विद्युत विनियामक आयोग (बहुवर्षीय वितरण प्रशुल्क) विनियम, 2014 कहा जाएगा।

1.2 ये विनियम सरकारी राजपत्र में उनके प्रकाशन की तारीख से प्रवृत्त होंगे।

2. अनुप्रयोग का कार्यक्षेत्र और सीमा

2.1 ये विनियम गोवा राज्य और अंडमान एवं निकोबार द्वीप समूह, दादरा एवं नगर हवेली, दमन व दीव, चंडीगढ़, लक्षद्वीप और पुडुचेरी संघ शासित क्षेत्रों में सभी वितरण लाइसेंसधारियों पर लागू होंगे।

2.2 ये विनियम 1 अप्रैल, 2015 से 31 मार्च, 2018 तक (अर्थात् वित्तीय वर्ष 2015-18 तक) के अंतर्गत शामिल सभी मामलों में प्रशुल्क के निर्धारण के लिए लागू होंगे।

Electricity Regulatory Commission hereby makes the following Regulation:—

PART-I
PRELIMINARY

1. Short Title and Commencement

- 1.1 These regulations shall be called the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (except Delhi) (Multi Year Distribution Tariff) Regulations, 2014.
- 1.2 These regulations shall come into force from the date of their publication in the Official Gazette.

2. Scope and Extent of Application

- 2.1 These regulations shall apply to all the Distribution Licensees in the State of Goa & Union Territories of Andaman & Nicobar Island, Dadra & Nagar Haveli, Daman & Diu, Chandigarh, Lakshadweep and Puducherry.
- 2.2 These regulations shall be applicable for determination of tariff in all cases covered under these Regulations from April 1, 2015 up to March 31, 2018. (i.e. till FY 2015-18)
- 2.3 These regulations shall extend to the whole of the State of Goa and the Union Territories of Andaman & Nicobar Islands, Dadra & Nagar Haveli, Daman & Diu, Chandigarh, Lakshadweep and Puducherry.

3. Definitions

- 3.1 In these regulations, unless the context otherwise requires, -
- 3.1.1. "Act" means the Electricity Act, 2003 (36 of 2003);
- 3.1.2. "Aggregate Revenue Requirement" or "ARR" means the costs pertaining to the licensed business which are permitted, in accordance with these regulations, to be recovered from the tariffs and charges determined by the Commission;
- 3.1.3. "Base Year" means the financial year immediately preceding first year of the control period and used for the purposes of these regulations;
- 3.1.4. "Commission" means the "Joint Electricity Regulatory Commission";
- 3.1.5. "Conduct of Business Regulations" means the "Joint Electricity Regulatory Commission for the State of Goa & Union Territories (Conduct of Business) Regulations, 2009", as amended from time to time.
- 3.1.6. "Control Period" means multi-year period comprising of three financial years of FY 2015-16 to FY 2017-18, and as may be extended by the Commission, for submission of forecast in accordance with these Regulations;
- 3.1.7. "Financial Year" means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- 3.1.8. "License" means a license granted under clause (b) of section 14 of the Act;
- 3.1.9. "Licensed Business" means the functions and activities, which the licensee is required to undertake in terms of the license granted by the Commission or being a deemed licensee under the Act;
- 3.1.10. "Licensee" means a person who has been granted a license under Section 14 of the act and shall include a deemed licensee;
- 3.1.11. "Non-Tariff Income" means income relating to the licensed business other than from tariff (wheeling and retail supply), and excluding any income from other business, cross-subsidy surcharge and additional surcharge;
- 3.1.12. "Other Business" means any other business of the distribution licensee for optimum utilization of its assets within the meaning of Section 51 of the Act;
- 3.1.13. "Retail Supply Business" means the business of sale of electricity by a distribution licensee to the consumers within the area of supply in accordance with the terms of the license for distribution and retail supply of electricity;
- 3.1.14. "Wheeling" means the operation whereby the distribution system and associated facilities of a distribution licensee are used by another person for the conveyance of electricity on

payment of charges to be determined under Section 62, of the Act and in the event where use of the distribution system and associated facilities is by a consumer, on payment of a surcharge in addition to the charges for wheeling as may be determined by the Commission under the first proviso to sub-section (2) of Section 42 of the Act, an additional surcharge on the charges of wheeling, as may be specified by the Commission, if applicable, to meet the fixed cost of such distribution licensee arising out of his obligation to supply, under sub-section (4) of Section 42 of the Act and wheeling charges under clause (c) of sub-section (1) of Section 62 of the Act;

3.1.15. “**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.

3.2 The words and expressions used and not defined in these Regulations, but defined in the Act, shall have the meanings respectively assigned to them in the Act.

3.3 The words “Application” or “Petition” shall be interpreted synonymously.

PART-II

GENERAL PRINCIPLES

4. Multi Year Tariff Framework

4.1 The Commission shall determine the tariff for distribution business of electricity under a Multi-Year Tariff framework with effect from April 1, 2015 :

4.2 The Multi-Year Tariff framework shall be based on the following elements, for calculation of Aggregate Revenue Requirement and expected revenue from tariff and charges for Distribution Business :

- i. Control Period, before commencement of which a forecast of the Aggregate Revenue Requirement and expected revenue from existing tariff and charges shall be submitted by the applicant and approved by the Commission;
- ii. A detailed Business Plan based on the Operational Norms and trajectories of performance parameters specified in these Regulations, for each year of the Control Period, shall be submitted by the applicant for the Commission's approval;
- iii. Based on the Business Plan as approved by the Commission by order, the applicant shall submit a petition with the forecast of Aggregate Revenue Requirement and expected revenue from existing tariff for each year of the Control Period, and the Commission shall approve the tariff for each year of the Control Period;
- iv. The mechanism for pass-through of approved gains or losses on account of uncontrollable factors as specified by the Commission in these Regulations;
- v. The mechanism for sharing of approved gains or losses arising out of controllable factors as specified by the Commission in these Regulations;

5. Business Plan

5.1 The Distribution Licensee shall file Business Plan, for Control Period of three financial years from April 1, 2015 to March 31, 2018, which shall comprise but not be limited to detailed category-wise sales and physical targets, power procurement plan, capital investment plan, financing plan and Provided that in case the Commission issues guidelines and formats, from time to time, the same shall be adhered to by the Distribution Licensee.

5.2 The capital investment plan shall show separately, on-going projects that will spill into the financial year 2015-2016 and new projects (along with justification) that will commence and scheduled to be completed within or beyond the tariff period i.e. by or beyond 31.03.2018. The Commission shall consider and approve the capital investment plan for which the Distribution Licensee shall provide relevant technical and commercial details.

5.3 The Distribution Licensees shall project the power purchase requirement after considering effect of target set for Energy Efficiency (EE) and Demand Side Management (DSM) schemes.

Provided that the power purchase cost of the respective Distribution Licensee shall be allowed after considering the target set by the Commission for Energy Efficiency (EE) and Demand Side Management (DSM) schemes, if any, and any shortfall in meeting the target shall be disallowed by the Commission at marginal cost of power purchase of that Distribution Licensee for determination of tariff

6. ARR Forecast

- 6.1 The applicant shall, based on the Business Plan as approved by the Commission by order, submit the forecast of Aggregate Revenue Requirement and expected revenue from tariff, for the Control Period by a Petition in accordance with the JERC (Terms & Condition for determination of Tariff) Regulations, 2009 by 30th November of the year prior to the commencement of the Control Period and accompanied by such fee payable, as specified in the JERC (Conduct of Business) Regulations, 2009.
- 6.2 The forecast of Aggregate Revenue Requirement shall be developed using the assumptions relating to the behaviour of individual variables that comprise the Aggregate Revenue Requirement during the Control Period.
- 6.3 The forecast of expected revenue from tariff and charges shall be developed based on the following:
- Estimates of quantum of electricity to be supplied to consumers and wheeled on behalf of Distribution System Users for each financial year within the Control Period; and
 - Prevailing tariff as at the date of making the application.

7. Specific trajectory for certain variables

- 7.1 The Commission shall approve a trajectory while approving the Business Plan for certain variables having regard to the reorganization, restructuring and development of the electricity industry in the State:

Provided that the variables for which a trajectory may be indicated by the licensee include, but are not limited to, Operation & Maintenance expense norms, supply availability and wires availability and distribution losses.

8. Annual Review of Performance and True-up

- The Commission shall undertake a review along with the next Tariff Order of the expenses and revenue approved by the Commission in the Tariff Order. While doing so, the Commission shall consider variations between approvals and revised estimates/actuals of sale of electricity, income and expenditure for the relevant year and permit necessary adjustments/ changes in case such variations are for adequate and justifiable reasons. Such an exercise shall be called 'Review'.
- After audited accounts of a year are made available, the Commission shall undertake similar exercise as above with reference to the final actual figures or the provisional actual accounts as available as per the audited accounts. This exercise with reference to audited accounts shall be called 'Truing Up'.
The Truing Up for any year will ordinarily not be considered after more than one year of 'Review'.
- The revenue gap/surplus, if any, of the ensuing year shall be adjusted as a result of review and truing up exercises.
- While approving such expenses/revenue to be adjusted in the future years as arising out of the Review and/or Truing up exercises, the Commission may allow the carrying costs as determined by the Commission of such expenses/revenue. Carrying costs shall be limited to the interest rate approved for working capital borrowings.
- For any revision in approvals, the licensee would be required to satisfy the Commission that the revision is due to conditions beyond its control.
- In case additional supply is required to be made to any particular category, the licensee may, any time during the year make an application to the Commission for its approval. The application will demonstrate the need for such additional supply of power and also indicate the manner in which the licensee proposes to meet the cost for such additional supply of power.

2832 9714-10

9. Controllable and uncontrollable factors

- 9.1 The “uncontrollable factors” shall comprise of the following factors which were beyond the control of, and could not be mitigated by the applicant:
- (a) Force Majeure events, such as acts of war, fire, natural calamities, etc.
 - (b) Change in law;
 - (c) Taxes and Duties;
 - (d) Variation in sales; and
 - (e) Variation in the cost of power generation and/or power purchase due to the circumstances specified in these Regulations;
- 9.2 Some illustrative variations or expected variations in the performance of the applicant, which may be attributed by the Commission to controllable factors include, but are not limited to the following:
- (a) Variations in capital expenditure on account of time and/or cost overruns/ efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;
 - (b) Variations in Transmission and Distribution Losses (T&D) losses in case of bundled utilities and Distribution losses in case of un-bundled utilities which shall be measured as the difference between the units input into the distribution system and the units supplied and billed;
 - (c) Depreciation and working capital requirements;
 - (d) Failure to meet the standards specified in the Joint Electricity Regulatory Commission (Standards of Performance) Regulations, 2009 except where exempted;
 - (e) Variation in operation & maintenance expenses, except those attributable to directions of the Commission;
 - (f) Variation in Wires Availability and Supply Availability;
 - (g) Variation on account of inflation;

10. Mechanism for Sharing of Gains with Respect to Norms and Targets

Mechanism for pass through of gains or losses:

- 10.1 The licensee shall pass on to the consumers, the 70% of the gain arising from over achievement of the norms laid down by the Commission in these Regulations or targets set by the Commission from time to time and retaining balance 30% with themselves.
- 10.2 The approved aggregate gain or loss to the Distribution Licensee on account of uncontrollable factors shall be passed through, as an adjustment in the tariff of the Distribution Licensee, as specified in these Regulations and as may be determined in the Order of the Commission passed under these Regulations.
- 10.3 The Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.
- 10.4 Nothing contained in this Regulation 10 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

11. Mechanism for Sharing of Losses with Respect to Norms and Targets

- (1) The licensee shall bear the entire loss on account of its failure to achieve the norms laid down by the Commission or targets set by the Commission from time to time.

**PART-III
PROCEDURE**

12. Procedure relating to making of an application for determination of Tariff

- 12.1 An application for approval of the Business Plan shall be made by 30th September of the year prior to the commencement of the Control Period, in accordance with the JERC (Conduct of Business), Regulations, 2009, and accompanied by fee of Rupees One Lakh (Rs. 1,00,000/- only).
- 12.2 An application for determination of tariff shall be made by 30th November every year, in such form and in such manner as specified in this Regulation, and accompanied by such fees as may be specified by the Commission.
Proceedings to be held by the Commission for determination of tariff shall be in accordance with the JERC (Conduct of Business) Regulations, 2009, as amended from time to time.
- 12.3 The petition for determination of tariff shall be accompanied by information for the previous year, current year and the ensuing year for the entire control period capturing the expected revenues from the tariff and charges including miscellaneous charges along with detailed assumptions and parameters required in annual true-up exercise etc.
Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing category-wise tariff and how such revision would meet the gap, if any, in Aggregate Revenue Requirement for each year of the Control Period.
Provided further that the information for the previous year shall be based on audited accounts and in case audited accounts for previous year are not available, audited accounts for the immediately preceding previous year should be submitted along with un-audited accounts for the previous year:
- 12.4 The Distribution Licensee shall along with the petition for determination of tariff submit a statement on the status of compliance of directives, if any, issued by the Commission in its last tariff order.
- 12.5 The petition for determination of tariff shall include the details of actual subsidy received from the State Government/UT administration vis-à-vis claimed by the Distribution Licensee and the True-up petition for the previous year:
- 12.6 The Commission may seek clarification and additional information on inadequacies in the application, if any, for approval of the Business Plan and application for determination of tariff, as the case may be.
- 12.7 The Distribution Licensee shall respond expeditiously to the Commission with all clarifications and information as required.
- 12.8 The Commission shall admit the application for approval of the Business Plan and application for determination of tariff, after preliminary scrutiny of the Business Plan.
- 12.9 Upon receipt of a complete application accompanied by all requisite information, particulars and documents in compliance with all the requirements specified in these Regulations, the application for approval of the Business Plan and application for determination of tariff, as the case may be, shall be deemed to be received and the Commission or the Secretary or the designated Officer shall intimate to the applicant that the application is ready for publication.
- 12.10 The applicant shall, within three (3) days of an intimation received to him in accordance with Regulation 12.9, publish a notice, in at least three (3) daily newspapers widely circulated in the area to which the application pertains, outlining the proposed Business Plan or the proposed tariff, as the case may be, and such other matters as may be stipulated by the Commission, and inviting suggestions and objections from the public:
Provided that the applicant shall make available a hard copy of the complete application, to any interested party, at such locations and at such rates as may be stipulated by the Commission:
Provided further that the applicant shall also put up on its website, in downloadable spreadsheet format showing detailed computations, the application made to the Commission along with all regulatory filings, information, particulars and documents in the manner so stipulated by the Commission:
Provided further that the web-link to the information mentioned in the second proviso above shall be easily accessible, archived for downloading and shall be prominently displayed on the applicant's website:
Provided also that the applicant may not provide or put up any such information, particulars or

documents, which are confidential in nature, with the prior approval of the Commission.

Explanation – for the purpose of this Regulation, the term “downloadable spreadsheet format” shall mean one (or multiple, linked) spreadsheet software files containing all assumptions, formulae, calculations, software macros and outputs forming the basis of the application.

- 12.11 Notwithstanding anything contained in these Regulations, in case of delay/ non-submission of the application for approval of the Business Plan and application for determination of tariff, as the case may be, additional information, the Commission may initiate suo-motu proceedings mandating the filing of the said applications.

Provided that in the event of the licensee not filing the application despite the aforesaid proceeding, the Commission may on its own, decide the tariff based on previous year's tariff details and after incorporating suitable adjustments.

Provided further that the Commission may also pass directions under Section 129 and/or Section 142 of the Act, if required.

13. Order approving the Business Plan and Tariff Order

- 13.1 An Order approving or rejecting the Business Plan shall, as far as practicable, be issued within thirty (30) days from receipt of a complete Business Plan.

- 13.2 The Commission shall, within one hundred and twenty (120) days from receipt of a complete application for tariff determination and after considering all suggestions and objections received from the public and other stakeholders :

- (a) issue a Tariff Order accepting the application with such modifications or such conditions as may be specified in that Order;
- (i) the charges to be recovered from various categories of consumers before taking into account the effect of Government subsidy
 - (ii) transmission and distribution losses determined together or separately
 - (iii) wheeling charges for open access consumers
 - (iv) surcharge for different categories
 - (v) additional surcharge, if considered necessary
- (b) 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:

Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting its application.

- 13.3 The applicant shall publish the tariff approved by the Commission within three (3) days in at least three (3) daily newspapers having wide circulation in the area of supply and shall put up the approved tariff / tariff schedule on its website and make available for sale, a booklet containing such tariff or tariff, as the case may be, to any person upon payment of reasonable reproduction charges.
- 13.4 The tariff so published shall be in force from the date specified in the said Order and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein.

14. Adherence to Tariff Order

14.1 If a Distribution Licensee recovers a price or charge exceeding the tariff approved by the Commission and in accordance with these Regulations, the excess amount shall be payable to the person who has paid such price or charge, along with interest equivalent to the Bank Rate of the Reserve Bank of India without prejudice to any other liability that may be incurred by such Distribution Licensee.

14.2 The Distribution Licensee shall submit periodic returns as may be required by the Commission, containing operational and cost data to enable the Commission to monitor the implementation of its Order.

PART IV

SALES, POWER PURCHASE QUANTUM AND COST

15. Metered Sales forecast

15.1 Forecasting Methodology

Metered sales shall be treated as an uncontrollable parameter:

Provided that open access transactions shall not form part of the sales:

Provided further that sales forecast shall be based on past trends in each of the slabs of consumer categories. The compounded annual growth rate (CAGR) of past 2 to 3 years of sales within each of the slabs of a consumer category as per audited books of account shall be used to forecast up to short and medium (5 years) time range:

Explanation : For instance, while filing for 2015-16 ARR, audited sales figures, by slab by consumer category, pertaining to 2011-12, 2012-13 and 2013-14 shall be used. In case audit of books of accounts of last year (2013-14) is still pending, corresponding sales figures pertaining to 2010-11, 2011-12 and 2012-13 shall be used and the Distribution Licensee must expedite the process so that audited sales figures of immediately preceding three years shall be available during ARR filing from next year onwards.

Provided also that in case of following occurrences, prudent adjustment of forecasted metered sales shall be carried out:

- a) Abnormal variation in consumer mix in any given area (on the basis of proposed city plan, tax holidays, Government incentives for industrial establishments, migration of consumers due to open access, etc.)
- b) Inflection point in economic cycle (boom, slowdown, recession or expansion)
- c) Variations in weather conditions
- d) Materially significant findings during audit check as per Regulation 16.2:

Provided also that in cases where slab-wise sales to each consumer category are not available in audited books of accounts and only consolidated sales are available, the Distribution Licensee shall include the slab-wise sales in annexure to its Annual Report from next year onwards:

Provided also that if Audited books of accounts are not available, the Distribution Licensee shall get the accounts audited within a year of roll out of these tariff regulations so as to ensure that audited sales figures, by slab by consumer category, for last three preceding years are available for sales estimation from next year onwards.

15.2 Overhaul Exercise

- (a) A team shall be formed by Distribution Licensee, designated team of the Distribution Licensee to validate the status of meters, load of metered consumers and category classification of consumers in the area of operations of Distribution Licensee.
- (b) The overhaul exercise shall be a year-long assessment study conducted on monthly basis for the first year subsequent to the notification of these Regulations.
- (c) For the overhaul exercise, consumers shall be sampled for a monthly overhaul from the circles served by the Distribution Licensee:

Provided that the Sample so chosen shall be close representation of geographic, demographic, industrial/ commercial/ residential/ agricultural spread served by the Distribution Licensee:

- (d) In the event inconsistencies are found in the number of metered consumers, status of the meters, load at consumer premises or category classification of the consumers, the forecast arrived at in Regulation 16.1 on the basis of CAGR of historical (2-3 years) audited sales shall be adjusted accordingly as specified in Regulation 16.1.

16. Un-metered Sales Forecast

Methodology for determination of un-metered sales

16.1 Section 55 of the Electricity Act, 2003, stipulated that no licensee shall supply electricity

2832 9/14-11

after the expiry of 2 years from the appointed date, except the installation of a correct meter in accordance with the Regulations made in this behalf by the authority.

- 16.2 The Central Electricity Authority issued CEA (installation and operation of meters), Regulations 2006. However in some utilities under the jurisdiction of JERC 100% metering has not yet taken place. Till such time 100% metering is achieved, the energy sales to unmetered consumers shall be considered on normative and it will be a controllable parameter.
- 16.3 The licensee shall strive to achieve 100% metering at the earliest and the time frame shall be submitted to the Commission.

17. Treatment of Distribution Loss

Distribution loss shall be considered as a controllable parameter. Based on the assessment of metered and un-metered sales as per Regulations 15 and 16 of these regulations, the Commission shall prepare the baseline of distribution losses.

18. Power Purchase Quantum and Cost

- 18.1 Based on the sales forecast the power purchase quantum and cost shall be calculated.
- 18.2 The approved Power Purchase cost shall be net of expected revenue from sale of surplus power, if any, during lean period.
- 18.3 Revenue from sale of surplus power shall be estimated at weighted average price of bilateral purchases and power exchange rates for the same quarter of preceding year; subject to trueing up.
- 18.4 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 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 customer without prior approval of the Commission:

Provided that the cost of the additional power shall be allowed at the power exchange rate purchases:

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 capped by weighted average price of power exchange rates and bilateral market purchases for the same quarter, it may disallow the quantum and cost of this short term power procurement in the True Up order.

19. Treatment of Incremental Power procurement cost

The Distribution Licensee shall recover the incremental cost on account of fuel & power purchase adjustment in accordance with FPPCA formula provided in JERC Terms & Condition for determination of Tariff (first amendment) Regulations, 2009.

PART V

FINANCIAL PRINCIPLES

20. Principles for determination of ARR

20.1 The Aggregate Revenue Requirement for the Distribution Business of the Distribution Licensees for each year of the Control Period, shall contain the following financial parameters:

- (a) Cost of Power Purchase;
- (b) Fuel cost for own generation, if applicable;
- (c) Operation and Maintenance expenses;
- (d) Capital Investment Plan;

- (e) Depreciation;
- (f) Contingency Reserves;
- (g) Interest on Loan;
- (h) Interest on Working Capital;
- (i) Return on Equity;
- (j) Income Tax;
- (k) Provision for Bad & Doubtful Debts;
- (l) Other expenses;
- (m) Non-Tariff Income; and
- (n) Income from Other Business.

20.2 The data should be provided for three years.

- (a) Audited figures for the previous year; information for the previous year shall be based on the audited accounts; in the absence thereof, the audited accounts for the immediately preceding year shall be filed along with the un-audited accounts for the previous year.
- (b) Estimated figures for the current financial year should be based on actual figures for the first six months and the estimated figures for the second six-months of the year. The estimated figures for the second half year of the current financial year should be based on the actual audited figures for the second half of the previous year with adjustments that reflect known and measurable changes expected to occur between them. These adjustments must be specifically documented and justified.
- (c) Forecasted figures for the ensuing year should be based on the current year figures with adjustments that reflect known and measurable changes expected to occur between them. These adjustments must be specifically documented and justified.

20.3 The information to be provided shall also include:

- (a) A statement of current tariff rates all applicable terms and conditions, and the expected full year revenue from the projected sales at the current tariff rates in the year in which the new tariffs are to be implemented.
- (b) A statement showing calculations of the estimated cost of providing the service required by the level of demand indicated in sub-clause (i) above for each consumer class during the same period.
- (c) A statement of the proposed tariff rate, price and charge, including a full statement of all applicable terms and conditions, as compared to those referred to (i) above. This statement should be shown in a form appropriate to the proposed tariff structure. Details should also be supplied of the publicity intended to be given to new tariff options when they are to be implemented.
- (d) A statement of the expected full-year revenue of the proposed tariff for the year in which the tariff is to be implemented.
- (e) If the proposed tariff is to be introduced after the beginning of the financial year a statement of the proportion of expected revenue and quantities supplied under each proposed rate during the remaining months of the financial year should be included.
- (f) A statement of the estimated change in annual expected revenue that would result from the proposed tariff changes in the year in which they are to be implemented state in 'Rupees' and 'Percentage' terms.

- (g) A study of marginal cost of the generators business, including time – differentiated (time of use) short term marginal costs by voltage levels (wherever applicable) and a written explanation of the method used to calculate marginal costs. In addition, the statement shall include a comparison of the percentage of marginal costs recovered by the current and proposed tariff.
- (h) A written explanation of the rationale for the proposed changes in tariff and other charges, along with justification of the return on equity being requested.
- (i) A statement containing full details of the calculation of any subsidy/subventions received, due or assumed to be due from the State Government/UT administration.
- (j) A written explanation supported by calculations of tariff rates, of any proposed new tariff.
- (k) Such other information as the Commission may direct from time to time.

20.4 The Aggregate Revenue Requirement of the generating company or the licensee shall be worked out by adjusting the following in the revenue requirement computed under Clause (1) above:

- (a) Necessary adjustments under Regulation 8 'Annual Review of performance and True up'.
- (b) Income from surcharge and additional surcharge from Open Access Consumers, if any ;
- (c) Transmission and/or Wheeling Charges recovered from the Open Access Customers, if any ;

Authorized portion of Income/revenue from Other Business engaged in by the licensee for optimum utilization of assets, if any, in accordance with the provisions of the Other Business Regulations issued by the Commission.

21. Operation & Maintenance Expenses

- (a) The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee cost, R&M expense and A&G expense:

Provided that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.

- (b) Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee expenses; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:
- (c) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.
- (d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits in Employee cost etc., shall be excluded from the norms in the trajectory.
- (e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.
- (f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.
- (g) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.
- (h) The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of absolute and relative analysis.
- (i) In absolute analysis, Distribution Licensee's audited accounts of operations for last three years,

expenses claimed for control period, historically approved cost, and prudence check shall be used by the Commission to estimate values of norms.

- (j) In relative analysis, performance parameters of other Distribution Licensees within the same state or in other states, shall be considered by the Commission to estimate norms:

Provided that other Distribution Licensees so chosen shall have similar profile as that of the Distribution Licensee under consideration in terms of consumer mix, type of license area (city, state, etc.) type of distribution networks, viz., underground/overhead, HT-LT ratio, etc.

- (k) Suitable average of outcomes of absolute and relative analysis shall be taken by the Commission to fix the norms over the control period for the Distribution Licensee.

21.1 Employee Cost

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

$$EMP_n = (EMP_b * WPI \text{ inflation}) + \text{Provision}$$

where:

EMP_n : Employee expense for the year n

EMP_b : including yearly increments of employees, bonus, promotion, VRS. Employee expense as per the norm

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

Provision: Provision for expenses as necessitated by the licensee due to expansion of the consumer base, yearly increments of Employees, and any expected one-time expenses as specified above.

21.2 Repairs and Maintenance Expenses

Repairs and Maintenance (R&M) expenses shall be calculated as percentage (as per the norm defined) of Opening Gross Fixed Assets for the year governed by following formula:

$$R\&M_n = K_b * GFA_n * \text{Inflation Index}$$

where:

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

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

K_b : Percentage point as per the norm

GFA : Gross Fixed Assets at the beginning of the Financial Year

Inflation Index is CPI : WPI :: 60 : 40

CPI is Consumer Price Index issued by Govt. of India & these indices are for immediately preceding three years

WPI is whole sale price Index issued by Govt. of India & these indices are For immediately preceding three years

21.3 Administrative and General Expenses

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

$$A\&G_n = (A\&G_b * WPI \text{ inflation}) + \text{Provision}$$

where:

2832 8/14-12

A&G_n: A&G expense for the year n A&G_b: A&G expense as per the norm

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

Provision: Cost for initiatives or other one-time expenses as proposed by the Distribution Licensee and validated by the Commission.

22. Capital Investment Plan

- (a) Capital expenditure shall be considered on scheme wise basis.
- (b) For capital expenditure greater than Rs.10 Crore (Rupees Ten Crore), the Distribution Licensee shall seek prior approval of the Commission.
- (c) The Distribution Licensee shall submit detailed supporting documents while seeking approval from the Commission.

Provided that supporting documents shall include but not limited to necessity and purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis:

- (d) The approval of the capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, distribution loss reduction or quality improvement as proposed in the Distribution Licensee's supporting documents.
- (e) The Commission may also undertake a detailed review of the actual works compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.
- (f) In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information along with reasons justifying the emergent nature of the proposed work, seeking post facto approval by the Commission.
- (g) The Distribution Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its competent authority.
- (h) If capital expenditure is less than Rs. 10 Crore (Rupees Ten Crore), the Distribution Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all of the relevant supporting documents.
- (i) During the true-up exercise, the Commission shall take appropriate action as is mentioned in these regulations.
- (j) Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.
- (k) An amount equivalent to the depreciation charge on such assets for the year shall be appropriated from this account as income to the profit and loss account over the useful life of the asset.

23. Depreciation

- (a) Depreciation shall be calculated for each year of the control period on the original cost of the fixed assets of the corresponding year.
- (b) Depreciation shall not be allowed on assets funded by capital subsidies, consumer contributions or grants.
- (c) Depreciation shall be calculated annually as per straight-line method over the useful life of the asset at the rate of depreciation. The same shall be as specified in the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2014. (The same may vary as notified by CERC from time to time.)
- (d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.

- (e) Depreciation shall be charged from the first year of operation of the asset.

Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.

- (f) A provision of replacement of assets shall be made in the capital investment plan.

24. Interest on loan

- (a) The Distribution Licensee shall provide detailed loan-wise, project-wise and utilization-wise details of all of the pending loans.

- (b) If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.

Provided that where equity actually deployed is less than 30% of the capital cost, the actual loan shall be considered for determination of interest on loans.

- (c) Actual loan or normative loan, if any, shall be referred as gross normative loan in this Regulation.

- (d) The normative loan outstanding as of 1st April of control period shall be computed by deducting the cumulative repayment as approved by the Commission (basis as mentioned below) up to 31st March of current period (a year before control period) from the gross normative loan.

- (e) The repayment for the control period shall be deemed to be equal to the depreciation allowed for the year.

- (f) Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of the loan shall be considered from the first year of the control period as per annual depreciation allowed.

- (g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures.

Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable.

Provided further that the interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

Provided also that exception shall be made for the existing loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

- (i) The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers.

Provided that the cost associated with such refinancing shall be eligible to be passed through in tariffs and the benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.

Provided further that the Distribution Licensee shall submit the calculation of such benefit to the Commission for its approval.

- (ii) The Distribution Licensee shall enable tracking of the loans converted into grants under schemes, like APDRP by providing information and data regularly to the Commission and for ensuring that the interest on these loans which has been passed on to the consumers inappropriately in the earlier years shall be recovered from the Distribution Licensee.

25. Interest on Working Capital

Working capital for retail supply activity of the licensee shall consist of :

- (i) Receivables of two months of billing
- (ii) Less power purchase cost of one month
- (iii) Less consumer security deposit but excluding Bank Guarantee/Fixed Deposit Receipt
- (iv) Inventory for two months based on annual requirement for previous year.

The rate of interest on working capital shall be equal to the base rate for the State Bank of India on the 1st April of the relevant financial year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan worked out on the normative figures.

26. Contribution to Contingency Reserve

- (a) If the Distribution Licensee has made an appropriation to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such appropriation in the calculation of ARR.
- (b) The amount so appropriated shall be invested in securities authorized under the Indian Trusts Act, 1882 within a period of six months of close of the financial year.

Provided that no diminution in the value of contingency reserve be allowed to be adjusted as a part of tariff.

- (c) The Contingency Reserve shall not be drawn upon during the term of the license except to meet such charges as may be approved by the Commission, such as following:
 - (i) Expenses or loss of profits arising out of accidents, strikes or circumstances which the management could not have prevented;
 - (ii) Expenses on replacement or removal of plant or works other than expenses requisite for normal maintenance or renewal;
 - (iii) Compensation payable under any law for the time being in force and for which no other provision is made.

Provided that such drawl from contingency reserve shall be computed after making due adjustment for any other compensation that may have been received by the Licensee as part of an insurance cover.

27. Return on equity

- (a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

Provided that assets funded by consumer contribution, capital subsidies/grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in this Regulation.

- (b) The return on the equity invested in working capital shall be allowed from the date of start of commercial operation.
- (c) 16% post-tax return on equity shall be considered irrespective of whether the Distribution Licensee has claimed return on equity in the ARR petition.

28. Income Tax

- (a) Income Tax, if any, on the Licenced business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its Licenced business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.
- (b) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.