



GUJARAT ELECTRICITY REGULATORY COMMISSION

**DRAFT GUJARAT ELECTRICITY REGULATORY
COMMISSION (MULTI-YEAR TARIFF) REGULATIONS, 2023**

September 2023



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**LIST OF ABBREVIATIONS**

AIVPL	AspenPark Infra Vadodara Private Limited
A&G	Administrative and General
AAD	Advance Against Depreciation
ARR	Aggregate Revenue Requirement
AT&C Losses	Aggregate Technical and Commercial Losses
BAU	Business As Usual
CAPM	Capital Asset Pricing Model
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CFBC	Circulating Fluid Bed Combustion
COD	Date of Commercial Operation
CPI	Consumer Price Index
DGVCL	Dakshin Gujarat Vij Company Limited
DPA	Deendayal Port Authority
DPR	Detailed Project Report
DSM	Demand Side Management
DTA	Domestic Tariff Area
EA 2003	Electricity Act 2003
ECR	Energy Charge Rate
EE	Energy Efficiency
EPS	Electric Power Survey
FERV	Foreign Exchange Rate Variation
FOR	Forum of Regulators
FPPPA	Fuel and Power Purchase Price Adjustment
FRL	Full Reservoir Level
FY	Financial Year
GCV	Gross Calorific Value
GERC	Gujarat Electricity Regulatory Commission (or the Commission)
GETCO	Gujarat Energy Transmission Company Limited
GFA	Gross Fixed Asset
GIS	Gas Insulated Sub-station
GIFT-PCL	GIFT Power Company Limited
GOI	Government of India
GSECL	Gujarat State Electricity Corporation Limited
GTO	Gate Turn-off Thyristor
GUVNL	Gujarat Urja Vikas Nigam Limited
HVAC	High Voltage Alternating Current
HVDC	High Voltage Direct Current
IC	Installed Capacity
IDC	Interest During Construction
IGBT	Insulated-Gate Bipolar Transistor



IoWC	Interest on Working Capital
kcal	kilo calorie
kWh	kilo Watt hour
LD	Liquidated Damages
LT-DRAP	Long-term Discom Resource Adequacy Plan
MCLR	Marginal Cost of Funds based Lending Rate
MDDL	Minimum Draw Down Level
MERC	Maharashtra Electricity Regulatory Commission
MGVCL	Madhya Gujarat Vij Company Limited
MoP	Ministry of Power
MTOA	Medium Term Open Access
MUL	MPSEZ Utilities Limited
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi-Year Tariff
NAPAF	Normative Annual Plant Availability Factor
NAPLF	Normative Annual Plant Load Factor
NFA	Net Fixed Asset
NTP	National Tariff Policy
O&M	Operation and Maintenance
PEUM	Partial End Use Method
PGVCL	Paschim Gujarat Vij Company Limited
PSERC	Punjab State Electricity Regulatory Commission
R&M	Renovation and Modernization
RDSS	Revamped Distribution Sector Scheme
RERC	Rajasthan Electricity Regulatory Commission
RLNG	Re-gasified Liquefied Natural Gas
RoCE	Return on Capital Employed
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SBBR	State Bank Base Rate
SFC	Secondary Fuel Consumption
SEZ	Special Economic Zone
SERC	State Electricity Regulatory Commission
SLDC	State Load Dispatch Centre
SLM	Straight Line Method
STU	State Transmission Utility
STATCOM	Static Synchronous Compensator
TPL	Torrent Power Limited
TPL-G	Torrent Power Limited – Generation
TPS	Thermal Power Station
TSC	Transmission Service Charges
UGVCL	Uttar Gujarat Vij Company Limited
WAROI	Weighted Average Rate of Interest



WACC	Weighted Average Capital Cost
WPI	Wholesale Price Index

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Draft GERC (Multi-Year Tariff) Regulations, 2023

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GUJARAT ELECTRICITY REGULATORY COMMISSION
(MULTI-YEAR TARIFF) REGULATIONS, 2023
Notification No. ___ of 2023

Gujarat Electricity Regulatory Commission in exercise of the powers conferred by sub-section (2) of section 181 read with Section 36, Section 39, Section 40, Section 41, Section 51, Section 61, Section 62, Section 63, Section 64, Section 65 and Section 86 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, and under Section 32 of the Gujarat Electricity Industry (Reorganisation and Regulation) Act, 2003 (Gujarat Act No. 24 of 2003) and all powers enabling it in that behalf, hereby makes the following Regulations, namely:

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CHAPTER 1: PRELIMINARY

1 Short title, extent, applicability and commencement

- 1.1 These Regulations may be called the “Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2023”.
- 1.2 These Regulations shall extend to the whole of the State of Gujarat.
- 1.3 These Regulations shall be applicable to all existing and future Generation Companies supplying power under section 62 of Electricity Act 2003, Transmission Licensees, Distribution Licensees, State Load Despatch Centre (SLDC), and their successors, if any, for determination of Aggregate Revenue Requirement, Tariff, and Fees and Charges of SLDC in all matters covered under these Regulations from April 01, 2024 up to March 31, 2029, unless otherwise reviewed/extended.
- 1.4 These Regulations shall come into effect from the date of their publication in the Official Gazette, and shall remain in force till March 31, 2029, unless otherwise reviewed/extended:
- Provided that for all purposes, including review matters pertaining to the period till March 31, 2024, the issues relating to determination of Aggregate Revenue Requirement and Tariff shall be governed by the provisions of the Gujarat Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2005, or Gujarat Electricity Regulatory Commission (Levy And Collection of Fees and Charges by SLDC) Regulations, 2005, or Gujarat Electricity Regulatory Commission (MYT Framework) Regulations, 2011, or Gujarat Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2016, including amendments thereto, as may be applicable.
- 1.5 These Regulations supersede the “Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016” and amendments thereof.

2 Definitions

- 2.1 In these Regulations, unless the context otherwise requires:
- (1) “**Accounting Statement**” means for each financial year, the following statements, namely:
- (a) balance sheet, prepared in accordance with the format prescribed by the Commission from time to time, with reference to each licensed or regulated business separately, duly certified by the statutory auditors;
- (b) profit and loss account, prepared in accordance with the format prescribed by the Commission from time to time, with reference to each licensed or regulated business separately, duly certified by the statutory auditors;



- (c) cash flow statement, prepared in accordance with the format prescribed by the Commission from time to time, with reference to each licensed or regulated business separately, duly certified by the statutory auditors;
- (d) balance sheet, prepared in accordance with the form contained in Part I of Schedule III to the Companies Act, 2013, as amended from time to time, whichever is applicable;
- (e) profit and loss account, complying with the requirements contained in Part II of Schedule III to the Companies Act, 2013, as amended from time to time, whichever is applicable;
- (f) cash flow statement, prepared in accordance with the applicable Accounting Standard of the Institute of Chartered Accountants of India (ICAI), and as per Section 2(40) of the Companies Act 2013, as amended from time to time;
- (g) report of the statutory auditors;
- (h) reconciliation statement, duly certified by the statutory auditors, showing the reconciliation between the total expenses, revenue, assets and liabilities, of the entity as a Company and the expenses, revenue, assets and liabilities, separately for each business regulated by the Commission and unregulated business operations, wherever applicable;
- (i) cost records prescribed by the Central Government under Section 148 of Companies Act, 2013 along with Cost Audit Reports; together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time:

Provided that in case of any local authority engaged in the business of distribution of electricity, the Accounting Statement shall mean the items, as mentioned above, prepared and maintained in accordance with the relevant Acts or Statutes as applicable to such local authority;

- (2) **“Act”** means the Electricity Act, 2003 (36 of 2003), as amended from time to time;
- (3) **“Additional Capital Expenditure”** means the capital expenditure incurred or projected to be incurred, after the date of commercial operation of the project by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, in accordance with the provisions of these Regulations;
- (4) **“Additional Capitalisation”** means the additional capital expenditure admitted by the Commission after prudence check, in accordance with these Regulations;
- (5) **“Aggregate Revenue Requirement”** means the annual revenue requirement



comprising of allowable expenses and return on capital pertaining to the Generating Company or Transmission Licensee or Distribution Licensee or SLDC, to be recovered through Tariff or Fees and Charges, in accordance with these Regulations;

- (6) **“Allocation Statement”** means for each financial year, a statement in respect of each of the separate businesses of the Generating Company or Transmission Licensee or Distribution Licensee for optimum utilization of its assets, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc., which has been either:
- (a) charged from or to each such Other Business together with a description of the basis of that charge; or
 - (b) determined by apportionment or allocation between different businesses of the Generating Company or licensee including the Licensed Businesses, 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 regulated business and other businesses of the regulated Utilities:

Provided further that for the purpose of these Regulations, the licensed business of the Distribution Licensee for an area of supply would be separated as Distribution Wires and Retail Supply business:

Provided further that such allocation statement in respect of a generating station owned and/or maintained and/or operated by the Distribution Licensee, shall be maintained in a manner so as to enable tariff determination, stage-wise, Unit wise and/or for the whole generating station;

- (7) **“Allotted Transmission Capacity”** means the power transfer in MW between the specified point(s) of injection and point(s) of drawal allowed to a long-term customer or a medium-term customer on the Intra-State Transmission System under the normal circumstances and the expression "allotment of transmission capacity" shall be construed accordingly:

Provided that the Allotted Transmission Capacity to a long-term transmission customer or a medium-term transmission customer shall be sum of the generating capacities allocated to the long-term transmission customer or the medium-term transmission customer from the generating stations and the contracted power, if any;

- (8) **“Applicant”** means a Generating Company or Transmission Licensee or SLDC or Distribution Licensee who has made an application/petition for determination of Aggregate Revenue Requirement and tariff in accordance with the Act and these Regulations and includes a Generating Company or Transmission Licensee or SLDC



or Distribution Licensee whose tariff is the subject of a review by the Commission on Suo- motu basis or as part of a Truing-up exercise. The terms “Applicant” and “Petitioner” have been used in these Regulations inter-changeably;

- (9) **“Area of Supply”** means the area within which a Distribution Licensee is authorised by its licence to supply electricity;
- (10) **“Auditor”** means an auditor appointed by an applicant, in accordance with Section 139 of Chapter X of the Companies Act, 2013 (18 of 2013) or any other law for the time being in force;
- (11) **“Auxiliary Energy Consumption”** in relation to a period in case of a generating station, means the quantum of energy consumed by auxiliary equipment of the generating station, such as the equipment being used for the purpose of operating plant and machinery including switchyard of the generating station and the transformer losses within the generating station, and shall be expressed as a percentage of the sum of gross energy generated at the generator terminals of all the Units of the generating station:

Provided that auxiliary energy consumption 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 and integrated coal mine;

- (12) **“Auxiliary energy consumption for emission control system”** or **“AUX_{en}”** in relation to a period in case of coal or lignite based thermal generating station means the quantum of energy consumed by auxiliary equipment of the emission control system of the coal or lignite based thermal generating station in addition to the auxiliary energy consumption under Clause (11) of this Regulation;

- (13) **“Availability”**

(a) in relation to a thermal generating station/unit for any period means the average of the daily average declared capacities as certified by SLDC for all the days during that period expressed as a percentage of the installed capacity of the generating station/unit minus the normative auxiliary consumption and normative Auxiliary Energy Consumption for Emission Control System in MW as specified in these Regulations, and shall be computed in accordance with the /following formula:

N

$$\text{Availability} = 10000 \times \sum_{i=1}^N DC_i / \{ N \times IC \times (100 - AUX_n - AUX_{en}) \} \%$$

i=1



Where,

N = number of days in the given period;

DC = Average Declared Capacity in MW for the i^{th} day in such period;

IC = Installed Capacity of the generating station in MW;

AUX_n = Normative Auxiliary Consumption in MW, expressed as a percentage of gross generation;

AUX_{en} = Normative Auxiliary Consumption for Emission Control System in MW, expressed as a percentage of gross generation:

Provided that Availability of a thermal Generating Station/Unit for any period shall not exceed hundred per cent;

- (b) in relation to a transmission system for a given period means the time in hours during that period the transmission system is capable of transmitting electricity at its rated voltage expressed in percentage of total hours in the given period and shall be calculated as provided in Annexure II to these Regulations;
- (14) **“Bank Rate”** shall mean the Bank Rate declared by the Reserve Bank of India from time to time;
- (15) **“Beneficiary”** shall mean:
- (a) in relation to a Generating Station, the purchaser of electricity generated at such Station whose Tariff is determined under these Regulations;
 - (b) in relation to a Transmission Licensee, the Transmission System Users;
 - (c) in relation to the Distribution Wires Business, the Generating Companies connected to the distribution system and consumers;
 - (d) in relation to the Retail Supply Business, the consumers;
 - (e) in relation to the SLDC, the Distribution Licensees and Open Access consumers who utilise the Intra-State Transmission System for transmission of electricity and / or utilise the distribution system of a Licensee in the State for wheeling of electricity and / or avail the services of the SLDC relating to scheduling and real-time grid operations, State energy accounting, operation of pool account, etc.;
- (16) **“Block”** in relation to a combined cycle thermal generating station includes combustion turbine-generators, associated waste heat recovery boilers, connected steam turbine generators and auxiliaries;
- (17) **“Bulk Power Transmission Agreement”** means an executed Agreement that



contains the terms and conditions under which a Transmission System User is entitled to access an Intra-State Transmission System of a Transmission Licensee;

- (18) **“Change in law”** means occurrence of any of the following events:
- (a) enactment, bringing into effect or promulgation of any new Indian law; or
 - (b) adoption, amendment, modification, repeal or re-enactment of any existing Indian law; or
 - (c) change in interpretation or application of any Indian law by a competent court, Tribunal or Indian Governmental Instrumentality, which is the final authority under law for such interpretation or application; or
 - (d) change by any competent statutory authority in 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/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; or
 - (f) any change in taxes or duties, or introduction of any taxes or duties levied by the Central or any State Government excluding the change in taxes and duties related to O&M expenses:

Provided that financial implication of change in law in relation to a Power Purchase Agreement (PPA) or Transmission Service Agreement (TSA) shall be in line with the provisions of PPA or TSA;

- (19) **“Charges”** means payments to be collected by the Generating Company or Licensee or SLDC for the services rendered by it;
- (20) **“Commission”** means the Gujarat Electricity Regulatory Commission;
- (21) **“Competitive Bidding”** means a transparent process for procurement of power, equipment, services and works in which bids are invited by the procurer by open advertisement covering the scope and specifications of the power requirement, equipment, services and works required, and the terms and conditions of the proposed contract as well as the criteria by which bids shall be evaluated, and shall include domestic competitive bidding and international competitive bidding;
- (22) **“Control Period”** means the period of five years from April 01, 2024 to March 31, 2029, for submission of forecast in accordance with Chapter 2 of these Regulations;



- (23) **“Contracted Capacity”** means the capacity in MW contracted by a long-term Transmission System User as part of its long-term power procurement plan through a power purchase agreement or arrangement, and shall be equivalent to the deemed Transmission Capacity Right of a Transmission System User;
- (24) **“Cut-off Date”** means the last day of the calendar month after thirty-six months from the date of commercial operation of the project;
- (25) **“Day”** means the 24 hour period starting at 00:00 hour;
- (26) **“Date of Commercial Operation”** (COD) means:

- (a) in case of a generating unit or block of a thermal generating station, the date declared by the Generating Company after demonstrating the maximum continuous rating (MCR) or the installed capacity (IC) through a successful trial run after notice to the beneficiaries, if any, and in case of the generating station as a whole, the date of commercial operation of the last generating unit or block of the generating station:

Provided that where the beneficiaries have been tied up for purchasing power from the generating station, the trial run shall commence after seven days notice by the Generating Company to the beneficiaries and scheduling shall commence from 00:00 hr after completion of the trial run:

Provided further that the Generating Company shall certify to the effect that the generating station meets the key provisions of the technical standards of Central Electricity Authority (Technical Standards for Construction of Electrical plants and electric lines) Regulations, 2010 and Gujarat Electricity Regulatory Commission (Gujarat Electricity Grid Code) Regulations, 2013, as amended from time to time;

- (b) in case of a generating unit of hydro generating station including pumped storage hydro generating station shall mean the date declared by the Generating Company from 00:00 hour after the scheduling process as per the Commission's Order is fully implemented, and in relation to the generating station as a whole, the date declared by the Generating Company after demonstrating peaking capability corresponding to installed capacity of the generating station through a successful trial run:

Provided that where beneficiaries have been tied up for purchasing power from generating station, scheduling process for a generating unit of the generating station or demonstration of peaking capability corresponding to installed capacity of the generating station through a successful trial run shall commence after seven days notice by the Generating Company to the beneficiaries and scheduling shall



commence from 00:00 hr after completion of trial run:

Provided further that the Generating Company shall certify to the effect that the generating station meets key provisions of the technical standards of Central Electricity Authority (Technical Standards for Construction of Electrical plants and electric lines) Regulations, 2010 and Gujarat Electricity Regulatory Commission (Gujarat Electricity Grid Code) Regulations, 2013, as amended from time to time:

Provided also that in case a hydro generating station with pondage or storage is not able to demonstrate peaking capability corresponding to the installed capacity for the reasons of insufficient reservoir or pond level, the date of commercial operation of the last unit of the generating station shall be considered as the date of commercial operation of the generating station as a whole, and it will be mandatory for such hydro generating station to demonstrate peaking capability equivalent to installed capacity of the generating unit or the generating station as and when such reservoir/pond level is achieved:

Provided also that if a run-of-river hydro generating station or a generating unit thereof is declared under commercial operation during lean inflows period when the water inflow is insufficient for such demonstration of peaking capability, it shall be mandatory for such hydro generating station or generating unit to demonstrate peaking capability equivalent to installed capacity as and when sufficient water inflow is available;

- (c) in case of a transmission system shall mean the date declared by the Transmission Licensee from 00:00 hour of which an element of the transmission system is in regular service after successful trial operation for transmitting electricity and communication signal from sending end to receiving end:

Provided that where the transmission line or substation is dedicated for evacuation of power from a particular generating station, the Generating Company and Transmission Licensee shall endeavour to commission the generating station and the transmission system simultaneously as far as practicable and shall ensure the same through appropriate Implementation Agreement:

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



- (d) in respect of an emission control system, the date of putting the emission control system into use after meeting all applicable technical and environmental standards, certified through the Management Certificate duly signed by an authorized person, not below the level of Director of the Generating Company or Generating Business.
- (27) **“De-capitalisation”** means reduction in Gross Fixed Assets of the project corresponding to the removal of assets as admitted by the Commission corresponding to inter-unit transfer of assets or the assets taken out from service;
- (28) **“Declared Capacity”** means in relation to a generating station, the capability to deliver ex-bus electricity in MW declared by such generating station in relation to any time-block of the day as defined in the Gujarat Electricity Regulatory Commission (Gujarat Electricity Grid Code) Regulations, 2013, as amended from time to time, or whole of the day, duly taking into account the availability of fuel or water, and subject to further qualification in the relevant Regulation;
- (29) **“Deemed Distribution Licensee”** means a person deemed to be a Distribution Licensee under Section 14 of the Act;
- (30) **“Design Energy”** in relation to a hydro power generating station means the quantum of energy, which could be generated in a 90 per cent dependable year with 95 per cent installed capacity of the generating station;
- (31) **“Distribution Business”** means the business of operating and maintaining a distribution system for supplying electricity in the area of supply of the Distribution Licensee;
- (32) **“Distribution Licensee”** means a Licensee authorised to operate and maintain a distribution system for supplying electricity to consumers in its area of supply;
- (33) **“Distribution System User”** means a retail consumer of the Distribution Licensee to whom the electricity is supplied by the Distribution licensee through their own distribution infrastructure alongwith the person who has been allowed open access to the distribution system of a Distribution Licensee and the consumer or a class of consumers allowed to receive supply from a person other than a Distribution Licensee;
- (34) **“Distribution Wires Business”** means the business of operating and maintaining a distribution system for wheeling of electricity in the area of supply of the Distribution Licensee;
- (35) **“Detailed Project Report Scheme” (or “DPR Scheme”)** means a capital expenditure Scheme with projected capital cost exceeding the limits specified in the ‘Capital Expenditure Approval Framework’ as provided in **Annexure III** to these Regulations, for in-principle clearance of proposed Investment schemes or any such amount



stipulated by the Commission, for which the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, is required to obtain prior in-principle approval by submitting a Detailed Project Report (DPR) in accordance with above said framework;

- (36) **“Emission Control System”** means a set of equipment or devices required to be installed in coal or lignite based thermal generating station or unit thereof to meet the revised emission standards;
- (37) **“Element”** means an asset which has been distinctively defined under the scope of the transmission project in the investment Approval such as transmission lines including line bays and line reactors, substations, bays, compensation device, Interconnecting Transformers, etc.;
- (38) **“Expected Revenue from Tariff and Charges”** means the revenue estimated to accrue to Generating Company or Transmission Licensee or SLDC or Distribution Licensee from the Regulated Business at the prevailing tariffs and charges;
- (39) **“Existing Generating Unit/Station”** means a generating unit/station declared under commercial operation prior to the date of effectiveness of these Regulations;
- (40) **“Existing Project”** means a project declared under commercial operation prior to the date of effectiveness of these Regulations;
- (41) **“Expansion project”** shall include any addition of new capacity to the existing Generating station or augmentation of the Transmission system, as the case may be;
- (42) **“Extended Life”** means the life of a Generating Station or Unit thereof or of a Transmission system or element thereof or Distribution system or element thereof, beyond the period of Useful Life, as may be approved by the Commission on a case to case basis;
- (43) **“Fees”** means payments to be collected by the SLDC for services rendered on account of registration, membership or any other account as determined by the Commission;
- (44) **“Financial Year”** means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- (45) **“Force Majeure Event”** means, with respect to any party, any event or circumstance or combination of events or circumstances including those stated below, which is not within the reasonable control of, and is not due to an act of omission or commission of that party and which, by the exercise of reasonable care and diligence, could not have been avoided, and without limiting the generality of the foregoing, would include the



following events:

- (a) Act of God including lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, pandemic or exceptionally adverse weather conditions which are in excess of the statistical measures for the last hundred years; or
 - (b) Any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or
 - (c) Industry wide strikes and labour disturbances having a nationwide impact in India;
 - (d) Delay in obtaining statutory approval for the project except where the delay is attributable to project developer;
- (46) **“Fuel Supply Agreement”** means the agreement executed between the Generating Company and the fuel supplier for supply of fuel to the Generating Station for generation and supply of electricity to the beneficiaries;
- (47) **“Generation Business”** means the business of production of electricity from a generating station for the purpose of (i) giving supply to any premises or enabling a supply to be so given, or (ii) supply of electricity to any Licensee in accordance with the Act and the rules and Regulations made thereunder or, (iii) supply of electricity to any consumer subject to the Regulations made under sub-section (2) of section 42 of the Act;
- (48) **“Generating Company”** means any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person, which owns or operates or maintains a Generating Station;
- (49) **“Generating Station”** means any station for generating electricity, including any building and plant with step-up transformer, switch-gear, switch yard, cables or other appurtenant equipment, if any, used for that purpose and the site thereof; a site intended to be used for a generating station, and any building used for housing the operating staff of a generating station, and where electricity is generated by water-power, includes penstocks, head and tail works, main and regulating reservoirs, dams and other hydraulic works, but does not in any case include any sub-station;
- (50) **“Generating Unit”** in relation to a thermal generating station (other than combined cycle thermal generating station) means steam generator, turbine-generator and auxiliaries, or in relation to a combined cycle thermal generating station, means turbine-generator and auxiliaries or combustion turbine-generator, associated waste heat recovery boiler, connected steam turbine-generator and auxiliaries; and in



relation to a hydro generating station means turbine generator and its auxiliaries;

- (51) **“Grid”** means the high voltage backbone system of inter-connected transmission lines, substations and generating plants;
- (52) **“Gross Calorific Value”** in relation to a thermal generating station means the heat produced in kilocalories by complete combustion of one kilogram of solid fuel or one litre of liquid fuel or one standard cubic metre of gaseous fuel, as the case may be;
- (53) **“GCV As Received Basis (ARB)”** means the GCV of coal as measured at the unloading point of the thermal generating station through collection, preparation and testing of samples from the loaded wagons, trucks, ropeways, Merry-Go-Round (MGR), belt conveyors and ships in accordance with the IS 436 (Part-1/ Section 1)-1964 and clause 6.2 of IS 1350 (Part-II)-1970:

Provided that the measurement of coal shall be carried out through sampling by third party to be appointed by the generating companies in accordance with the guidelines, if any, issued by Central Government or the Commission:

Provided further that samples of coal shall be collected either manually or through hydraulic augur or through any other method considered suitable keeping in view the safety of personnel and equipment:

Provided also that the generating companies may adopt any advance technology for collection, preparation and testing of samples for measurement of GCV in a fair and transparent manner;

- (54) **“Gross Station Heat Rate”** means the heat energy input in kcal required to generate one kWh of electrical energy at generator terminals;
- (55) **“Infirm power”** means electricity injected into the grid prior to the commercial operation of a Unit or Block of the generating station;
- (56) **“Installed Capacity”** means the summation of the name plate capacities of all the units of the generating station or the capacity of the generating station (reckoned at the generator terminals) as approved by the Commission from time to time;
- (57) **“Intra-State Transmission System" (or "InSTS")** means any system for conveyance of electricity by transmission lines within the area of the State of Gujarat, and includes all transmission lines, sub-stations and associated equipment of Transmission Licensees in the State:

Provided that the definition of point of separation between a Transmission System and distribution system and between a Generating Station and Transmission System shall be guided by the Regulations notified by the Central Electricity Authority under clause



- (b) of Section 73 of the Act;
- (58) **“Licensee”** for the purpose of these Regulations shall mean a Transmission Licensee or Distribution Licensee, as the case may be, duly authorised by the Commission under Section 14 or exempted under Section 13 of the Act including deemed licensee;
- (59) **“Long Term Power Procurement”** means Procurement of power under any arrangement or agreement with a term or duration exceeding seven years but not exceeding twenty-five years;
- (60) **“Maximum Continuous Rating” or ‘MCR’** in relation to a unit of the thermal generating station 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 thermal generating station 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;
- (61) **“Medium Term Power Procurement”** means Procurement of power under any arrangement or agreement with a term or duration exceeding one year but not exceeding seven years;
- (62) **“Mid-term Review”** means a review to be undertaken in accordance with the Regulation 16.3.4 and Regulation 16.3.5 of these Regulations;
- (63) **“New Generating Unit/Station”** means a generating unit/station declared under commercial operation on or after the date of coming into force of these Regulations;
- (64) **“Normative Annual Plant Availability Factor” or “NAPAF”** means the availability factor specified in Regulation 53.1 for thermal generating station and specified in Regulations 55.1 and 55.2 for hydro generating stations;
- (65) **“Non-DPR Scheme”** means a capital expenditure Scheme with projected capital cost within the limits specified in the guidelines for in-principle clearance of proposed Investment schemes or any such amount stipulated by the Commission, for which the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, is not required to obtain prior in-principle approval of the Commission;
- (66) **“Non-Pithead generating station”** means a Generating station, which is not covered under Pithead Generating station;
- (67) **“Non-Tariff Income”** means income relating to the regulated business other than from tariff, excluding any income from Other Business and, in case of the Retail Supply Business of a Distribution Licensee, excluding income from wheeling and receipts on



account of cross subsidy surcharge and additional surcharge on charges of wheeling;

- (68) **“Operation and Maintenance expenses” or “O&M expenses”**:
(a) in relation to a Generating Company, the expenditure incurred on operation and maintenance of the project of a Generating Company, or part thereof, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads, but excludes fuel expenses and water charges, but excludes corporate social responsibility (CSR) expenses;
(b) in relation to a Transmission Licensee or SLDC or Distribution Licensee, the expenditure incurred on operation and maintenance of the system by the Transmission Licensee or Distribution Licensee or SLDC, and includes the expenditure on manpower, repairs, spares, consumables, insurance and overheads, but excludes CSR expenses;
- (69) **“Original Project Cost”** means the capital expenditure incurred by Generating Company or Transmission Licensee, as the case may be, within the original scope of the project up to the cut-off date as admitted by the Commission;
- (70) **“Other Business”** means any business undertaken by Generating Company, Transmission Licensee, SLDC or Distribution Licensee, other than the businesses regulated by the Commission;
- (71) **“Pithead Generating Station”** means a Generating station having captive transportation system for its exclusive use for transportation of coal from the loading point at the mining end up to the unloading point at the Generating station without using the normal public transportation system;
- (72) **“Plant Availability Factor” or “(PAF)”** in relation to a Generating station for any period means the average of the daily declared capacities (DCs) for all the days during the period expressed as a percentage of the installed capacity in MW less the normative auxiliary energy consumption;
- (73) **“Plant Load Factor”** in relation to thermal generating station or unit for a given period means the total sent out energy corresponding to scheduled 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:

$$PLF = 10000 \times \sum_{i=1}^N \frac{SG_i}{\{ N \times IC \times (100 - AUX_n - AUX_{en}) \}} \%$$



Where,

IC = Installed Capacity of the generating station or unit in MW,

SG_i = Scheduled Generation in MW for the ith time block of the period,

N = Number of time blocks during the period, and

AUX_n = Normative Auxiliary Energy Consumption as a percentage of gross energy generation and;

AUX_{en} = Normative Auxiliary Energy Consumption for emission control system as a percentage of gross energy generation, wherever applicable;

- (74) **“Project”** means:
- (a) in case of thermal Generating Station, all components of the thermal Generating Station and includes pollution control system, effluent treatment plan, as may be required but does not include mining if it is a pit head project and dedicated captive coal mine;
 - (b) in case of hydro Generating Station, all components of the hydro Generating Station and includes dam, intake water conductor system, power Generating Station, as apportioned to power generation; and
 - (c) in case of Transmission, all components and elements of the Transmission system including communication system;
- (75) **“Prudence Check”** means scrutiny of reasonableness of any cost or 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; in accordance with these regulations by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be;
- (76) **“Pumped storage hydro generating station”** means a hydro station, which generates power through energy stored in the form of water energy, pumped from a lower elevation reservoir to a higher elevation reservoir;
- (77) **“Rated Voltage”** means the manufacturer’s design voltage at which the transmission system is designed to operate and includes such lower voltage at which any transmission line is charged or for the time being charged, in consultation with Transmission System Users;
- (78) **“Revised Emission Standards”** in respect of thermal Generating station means the revised norms notified as per Environment (Protection) Amendment Rules, 2015 or any



other Rules as may be notified from time to time;

- (79) **“Regulated Business”** means any electricity business, which is regulated by the Commission;
- (80) **“Retail Supply Business”** means the business of sale of electricity by a Distribution Licensee to its consumers in accordance with the terms of its licence;
- (81) **“Run-of-river generating station”** means a hydro generating station, which does not have upstream pondage;
- (82) **“Run-of-river generating station with pondage”** means a hydro generating station with sufficient pondage for meeting the diurnal variation of power demand;
- (83) **“Short Term Power Procurement”** means Procurement of power under any arrangement or agreement with a term or duration less than or equal to one year;
- (84) **“SLDC”** means the State Load Despatch Centre established by the State Government under the Act for the purpose of exercising the powers and discharging the functions as specified under the Act;
- (85) **“Small gas turbine generating station”** means and includes open cycle gas turbine or combined cycle generating stations with gas turbines in the capacity range of 50 MW or below;
- (86) **“Scheduled Energy”** means the quantum of energy scheduled by the concerned Load Despatch Centre to be injected into the grid by a Generating station for a given time period;
- (87) **“Scheduled Generation”** at any time or for any period or time block means schedule of generation in MW ex-bus given by the State Load Dispatch Centre;
- (88) **“Terminal Liabilities”** means terminal benefits such as Death cum Retirement Gratuity, Ex-gratia, Pension including Family Pension, Commuted Pension, Leave Encashment, LTC, Dearness relief, Interim relief, Medical reimbursement including fixed medical allowance in respect of pensioners, etc.;
- (89) **“Thermal Generating Station”** means a Generating Station or a Unit thereof that generates electricity using fossil fuels such as coal, lignite, gas, liquid fuel or combination of these as its primary source of energy;
- (90) **“Transmission System”** means a line or a group of lines with or without associated substation, and includes equipment associated with transmission lines and substations;
- (91) **“Transmission Capacity Rights”** means the right of a Transmission System User to



transfer power in MW, under normal circumstances, between such points of injection and drawal as may be set out in the Bulk Power Transmission Agreement;

- (92) **"Transmission Licensee"** means a Licensee authorised by the Commission to establish or operate transmission lines under Section 14 of the Act;
- (93) **"Transmission System User"** means a person who has been allotted transmission capacity rights to access an Intra-State Transmission System pursuant to a Bulk Power Transmission Agreement, except as provided in the Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011, as applicable and as amended from time to time;
- (94) **"Unloading Point"** means the point within the premises of the coal or lignite based thermal generating station where the coal or lignite is unloaded from the rake or truck or any other mode of transport;
- (95) **"Useful life"** in relation to a unit of a generating station, transmission system and distribution system from the date of commercial operation shall mean the following, namely:

Coal/Lignite based thermal generating station	: 25 years
Gas/Liquid fuel based thermal generating station	: 25 years
Hydro generating station including pumped storage hydro generating station	: 35 years
AC and DC sub-station	: 35 years
Gas Insulated Sub-station (GIS)/Hybrid sub-station	: 35 years
Transmission line (including HVAC and HVDC)	: 35 years
Distribution line	: 35 years
Communication System	: 15 years

- (96) **"User"** means a Licensee, a Generating Company, a person who has set up a captive generating plant, or a consumer availing open access, utilizing the transmission system of a transmission Licensee or distribution system of a Distribution Licensee;
- (97) **"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;

- (98) **“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;
- (99) **“Year”** means financial year ending on 31st March, and
- (a) “Current Year” shall mean the year in which the petition for determination of tariff is required to be filed;
 - (b) “Previous Year” shall mean the year immediately preceding the current year;
 - (c) “Ensuing Year” shall mean the year next following the current year;

The words and expressions used in these Regulations and not defined herein but defined in the Act or any other Regulations of the Commission shall have the meaning assigned to them under the Act or any other Regulations of the Commission.

3 Scope of Regulation and extent of application

3.1 The Commission shall determine the Aggregate Revenue Requirement, tariff within the Multi-Year Tariff framework and fees and charges, for all matters for which the Commission has jurisdiction under the Act, including in the following cases:

- (a) Supply of electricity by a Generating Company, excluding supply of electricity by captive generating plant and renewable energy sources but including hydro generating stations of capacity exceeding 25 MW, to a Distribution Licensee:

Provided that where the Commission believes that a shortage of supply of electricity exists, it may fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a Generating Company and a Distribution Licensee or between Distribution Licensees, for a period not exceeding one year to ensure reasonable prices of electricity;

- (b) Intra-State transmission of electricity;
- (c) SLDC Fees and Charges;
- (d) Intra-State Wheeling of electricity;
- (e) Retail supply of electricity:

Provided that in case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may, for promoting competition among Distribution Licensees, fix only maximum ceiling of tariff for retail sale of electricity:

Provided also that where the Commission has allowed open access to certain



consumers under sub-section (2) of Section 42 of the Act, such consumers, notwithstanding the provisions of clause (d) of sub-section (1) of Section 62 of the Act, may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them.

3.2 In accordance with the principles laid out in these Regulations, the Commission shall determine separate Aggregate Revenue Requirement for:

- (a) Distribution Wires Business; and
- (b) Retail Supply Business.

3.3 The Distribution Licensee shall file Petition containing separate details for determination of Aggregate Revenue Requirement for Distribution Wires Business and Retail Supply Business, based on the allocation matrix specified in these Regulations:

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the Petition containing separate details for determination of Aggregate Revenue Requirement for Distribution Wires Business and Retail Supply Business shall be based on the Regulatory Accounts.

3.4 The Wheeling Tariff/Charges shall be based on the Aggregate Revenue Requirement determined for the Distribution Wires Business.

3.5 The Retail Supply Tariff for retail sale of electricity shall be based on the Aggregate Revenue Requirement determined for the Distribution Wires Business and Retail Supply Business.

3.6 Notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government pursuant to Section 63 of the Act.

4 Norms of operation to be ceiling norms

4.1 For removal of doubts, it is clarified that the norms of operation specified under these Regulations are the ceiling norms and this shall not preclude Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, and Beneficiaries from accepting improved norms of operation as determined by the Commission and such improved norms shall be applicable for determination of tariff.

5 Deviation from norms

5.1 The tariff determined in these Regulations shall be a ceiling tariff and Generating Company and its Beneficiaries may mutually agree to charge a lower tariff.



- 5.2 Generating Company may opt to charge a lower tariff for a period not exceeding the validity of these Regulations on agreeing to deviation from operational parameters, reduction in Operation and Maintenance expenses, reduced Return on Equity and incentive specified in these Regulations.
- 5.3 Deviation from ceiling tariff determined by the Commission, shall come into effect from the date agreed to by Generating Company and Beneficiaries.
- 5.4 Generating Company and Beneficiaries of a Generating Station shall be required to intimate the Commission for charging lower tariff in accordance with Regulations 5.1 to 5.3 of these Regulations. The details of the accounts and the tariff actually charged under Regulations 5.1 to 5.3 of these Regulations shall be submitted at the time of true up.
- 5.5 Revenue loss on account of charging lower than approved tariff shall be borne entirely for all times by Generating Company and the impact of such revenue loss shall not be passed on to Beneficiaries, in any form.

6 General Framework

- 6.1 These Regulations are in the nature of general framework on which the tariff determination exercise will be based. However, the Commission reserves the right to vary as and when the facts and circumstances so warrant, from the procedures and parameters specified in these Regulations.

7 Saving of Inherent Power of the Commission

- 7.1 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 prevent the abuse of the process of the Commission.
- 7.2 Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.
- 7.3 Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Acts for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it deems fit.

8 Effect of Non-Compliance

- 8.1 Failure to comply with any requirement of these Regulations shall not invalidate any



proceeding merely by reason of such failure unless the Commission is of the view that such failure has resulted in miscarriage of justice.

9 General

9.1 The Commission shall be guided by the following:

- (a) Principles and methodologies specified by the Central Commission for determination of the tariff applicable to Generating Companies and Transmission Licensees as may be in force from time to time;
- (b) The National Electricity Policy and Tariff Policy as may be in force from time to time; and
- (c) Principles as mentioned in Section 61 of the Act.

10 Issue of Orders and Practice Directions

10.1 Subject to the provision of the Act and these Regulations, the Commission may, from time to time, issue Orders and Practice directions with regard to the implementation of these Regulations and procedure to be followed on various matters, which the Commission has been empowered by these Regulations to direct, and matters incidental or ancillary thereto.

10.2 Notwithstanding anything contained in these Regulations, the Commission shall have the authority, either suo-motu or on a petition filed by any interested or affected party, to determine the tariff of any Applicant.

11 Power to remove difficulties

11.1 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 Transmission Licensee or SLDC or Distribution Licensee to do or undertake such things which appear to be necessary or expedient for the purpose of removing the difficulties.

12 Power of Relaxation

12.1 The Commission, for reasons to be recorded in writing, may relax any of the provisions of these Regulations on its own motion or on an application made before it by an interested person.

13 Interpretation

13.1 If a question arises relating to the interpretation of any provision of these Regulations, the decision of the Commission shall be final.



14 Inquiry and Investigation

- 14.1 All inquiries, investigations and adjudications under these Regulations shall be done by the Commission through the proceedings in accordance with the provisions of the Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.

15 Power to Amend

- 15.1 The Commission, for reasons to be recorded in writing, may at any time vary, alter or modify any of the provision of these Regulations by amendment.

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CHAPTER 2: GENERAL PRINCIPLES

16 Multi-Year Tariff Framework

- 16.1 The Commission shall determine the tariff, Fees and Charges for matters covered under clauses (a) to (e) of Regulation 3.1 of these Regulations, under a Multi-Year Tariff framework with effect from April 01, 2024:

Provided that the Commission may, either on suo-motu basis or upon application made to it by an Applicant, exempt the determination of tariff or Fees and Charges of a Generating Company or Transmission Licensee or SLDC or Distribution Licensee under the Multi-Year Tariff framework for such period as may be contained in the Order granting such an exemption.

- 16.2 Filing under Multi-Year Tariff Framework by Generating Companies, Transmission Licensees, SLDC and Distribution Licensees, shall be done as per the timelines and in compliance with the principles for determination of Aggregate Revenue Requirement as specified in these Regulations, in such form as may be prescribed by the Commission from time to time.

- 16.3 Multi-Year Tariff Framework shall be based on the following elements, for determination of Aggregate Revenue Requirement and estimated revenue from Tariff and Fees and Charges for the Applicant.

- 16.3.1 Multi-Year Tariff Petition comprising forecast of Aggregate Revenue Requirement for the entire Control Period and expected revenue from existing tariff or Fees and Charges, expected revenue gap or surplus, for each year of the Control Period, shall be submitted by the Applicant:

Provided that Generating Company, Transmission Licensee or SLDC shall also submit proposed tariff or Fees and Charges for each year of the Control Period:

Provided further that Distribution Licensees shall propose the category-wise tariff only for the first year of the Control Period:

Provided further that performance parameters, whose trajectories have been specified in these Regulations, shall form the basis for projection of Aggregate Revenue Requirement for the Control Period:

Provided also that Multi-Year Tariff Petition shall also include truing up for FY 2022-23 or for any financial year prior to FY 2022-23 for which truing-up is yet to be completed, to be carried out under Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016.

- 16.3.2 The Commission shall determine the Aggregate Revenue Requirement and tariff or



Fees and Charges for Generating Companies, Transmission Licensees and SLDC for each year of the Control Period, at the beginning of the Control Period.

Provided that the Commission shall also approve the sharing proportion amongst the Transmission System Users for the SLDC Fees and Charges for the Control Period.

16.3.3 The Commission shall determine Aggregate Revenue Requirement for Distribution Wires Business and Retail Supply Business for each year of the Control Period and tariff for the first year of the Control Period, at the beginning of the Control Period.

16.3.4 A Mid-Term Review petition for truing-up of the Aggregate Revenue Requirement for the first two years of the Control Period based on the audited books of accounts, vis-à-vis the approved forecast for the respective years shall be submitted by Generating Companies or Transmission Licensees or SLDC along with its Petition for Aggregate Revenue Requirement for last two years of the Control Period by November 30th of the third year of the Control Period:

Provided that the Mid-Term Review petitions shall include information in such form as may be stipulated by the Commission, together with the Accounting Statements, extracts of books of account and such other details, including Cost Accounting Reports or extracts thereof, as it may require to assess the reasons for and extent of any difference in operational and financial performance from the approved forecast of Aggregate Revenue Requirement.

Provided that the Mid-term Review petition shall also include truing up for FY 2023-24 or for any financial year prior to FY 2023-24 for which truing-up is yet to be completed, for Generating Companies, Transmission Licensees or SLDC, along with the audited annual accounts of the respective financial year, to be carried out under Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016:

Provided further that true-up petition for the third, fourth and fifth years of the Control Period for Generating Companies, Transmission Licensees and SLDC, under these Regulations shall be submitted during the subsequent Control Period.

16.3.5 The Commission shall determine the revised Aggregate Revenue Requirement and tariff or Fees and Charges for Generating Companies, Transmission Licensees and SLDC for the fourth and fifth year of the Control Period based on the Mid-term Review. Further, the Commission shall also undertake truing-up for the first and second years of the Control Period, and categorization of variation in performance as those caused by factors within the control of the petitioner (controllable factors) and by factors beyond its control (uncontrollable factors), along with the Mid-Term Review.

16.3.6 Petition for annual truing-up of operational and financial performance for the previous



year of the Control Period based on Audited Accounts, and revised forecast of Aggregate Revenue Requirement, expected revenue from existing tariff, expected revenue gap or surplus, and proposed category-wise tariff for the ensuing year of the Control Period, shall be submitted by the Distribution Licensees for their respective Distribution Wires Business and Retail Supply Business by November 30th of each year of the Control Period:

Provided that Distribution Licensee shall submit the information in such formats as may be prescribed by the Commission, together with the Audited Accounts, extracts of books of account, cost to serve study for the truing-up year and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges:

Provided further that petition for truing-up for FY 2023-24 or for any financial year prior to FY 2023-24 for which truing-up is yet to be completed, for Distribution Licensees, shall also be submitted along with the audited annual accounts of the respective financial year, in accordance with the provisions of Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016:

Provided further that true-up Petition for the fourth and fifth years of the Control Period by Distribution Licensees for their respective Wire and Retail Supply Businesses, under these Regulations shall be submitted during the subsequent Control Period.

- 16.3.7 The Commission shall determine the revised Aggregate Revenue Requirement and tariff for the Distribution Wires Business and Retail Supply Business of the Distribution Licensee for each year of the Control Period based on the petition submitted by the Distribution Licensee.
- 16.3.8 Further, the Commission shall also undertake truing-up of previous year's expenses and revenue based on Audited Accounts vis-à-vis the approved forecast and categorisation of variation in performance as those caused by factors within the control of the Petitioner (controllable factors) and those caused by factors beyond the control of the Petitioner (uncontrollable factors).
- 16.4 The scope of annual truing up shall be a comparison of the performance of the Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:
- (a) a comparison of the audited performance for the previous year with the approved forecast for that year, subject to the prudence check;



- (b) review of compliance with directives issued by the Commission from time to time;
- (c) other relevant details, if any.

16.5 The mechanism for pass-through of approved gains or losses on account of uncontrollable factors shall be in accordance with Regulation 20 of these Regulations and controllable factors shall be in accordance with Regulation 21 of these Regulations.

16.6 Upon completion of Mid-Term Review and truing up under Regulation 16.3, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 19 of these Regulations:

Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 19 of these Regulations shall be attributed entirely to controllable factors.

16.7 Upon completion of the Mid-Term Review or truing up, the Commission shall pass an order recording:

- (a) approved aggregate gains or losses to the petitioner on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 21 of these Regulations;
- (b) components of approved cost pertaining to the uncontrollable factors, which were not recovered during the previous year, to be passed through as per Regulation 20 of these Regulations;
- (c) carrying/holding cost to be allowed on the amount of revenue gap or revenue surplus for the period from the date on which such gap/surplus has become due, i.e., the interest should be calculated for the period from the middle of the financial year in which the revenue gap/surplus had occurred upto the middle of the financial year in which the recovery has been proposed, calculated on simple interest basis at the weighted average rate of one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing during the relevant year, i.e., the year for which revenue gap or revenue surplus is determined:

Provided that carrying cost on the amount of revenue gap shall be allowed up to the above limit, subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:

Provided further that carrying cost or holding cost shall be allowed on the net



entitlement after sharing of efficiency gains and losses as approved after true-up.

(d) Tariff determined for the ensuing year(s).

16.8 The petitioner shall file separate audited accounting statements with application for determination of tariff and truing up or mid-term review as the case may be:

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts:

Provided further that in case complete accounting segregation has not been done between the Wires Business and Supply Business, the Aggregate Revenue Requirement of the Distribution Licensee shall be apportioned between Wires Business and Retail Supply Business in accordance with the Allocation Matrix specified in **Chapter 7** of these Regulations:

Provided further that Generating Companies, Transmission Licensees, SLDC and Distribution Licensees shall provide reconciliation statement, duly certified by the Statutory Auditors, showing the accounting statement under Indian Accounting standard (IND AS) and Generally Accounting Accepted Principles (GAAP) as per financial statement and regulatory formats.

16.9 Incumbent Distribution Licensees shall have the option of filing separate petitions under these Regulations for an area in respect of which the Commission has issued multiple Distribution Licenses:

Provided that each such separate petition shall contain all necessary details of expenses, revenue, assets, liabilities, capitalisation, and category-wise tariff to enable the Commission to determine the Aggregate Revenue Requirement and tariff for each separate area for which it has been filed:

Provided further that such expenses, revenue, assets, liabilities, and capitalisation considered for each such area shall be excluded while submitting the petition for the remaining area of supply:

Provided also that Distribution Licensee shall submit the reconciliation statement for expenses, revenue, assets, liabilities, and capitalisation between the entity as a whole and each such separate area of supply for which Distribution Licensee has filed a separate petition.

17 Multi-Year Tariff Application

17.1 The Applicant shall submit forecast of Aggregate Revenue Requirement and tariff or Fees and Charges proposal for the Control Period, in such a manner, and within such



time limit as provided in these Regulations and accompanied by such fee payable, as may be specified under the Gujarat Electricity Regulatory Commission (Fees, Fines and Charges) Regulations, 2005, as amended from time to time.

- 17.2 The Applicant shall develop forecast of Aggregate Revenue Requirement using the assumptions relating to the behaviour of individual variables that comprise the Aggregate Revenue Requirement during the Control Period, including inter-alia detailed capital investment plan, financing plan and physical targets, fuel utilization plan, category-wise sales and demand projections, power procurement plan including resource adequacy plan in accordance with guidelines and formats, as may be prescribed by the Commission from time to time.
- 17.3 Capital investment plan shall show separately, on-going projects that will spill over into the Control Period, and new projects (along with justification) that will commence in the Control Period but may be completed within or beyond the Control Period. The Commission shall consider and approve the capital investment plan for which the Applicant, may be required to provide relevant technical and commercial details.
- 17.4 Distribution Licensee shall project the power purchase requirement, taking into consideration, the Resource Adequacy Guidelines issued by Ministry of Power, Government of India, its Long-term Discom Resource Adequacy Plan (LT-DRAP), as vetted by the Central Electricity Authority, Merit Order Despatch principles of all Generating Stations considered for power purchase, quantum of Renewable Purchase Obligation (RPO) under Gujarat Electricity Regulatory Commission (Procurement of Energy from Renewable Sources) Regulations, 2014, as amended from time to time, and the target set, if any, for Energy Efficiency (EE) and Demand Side Management (DSM) schemes:
- Provided that Merit Order Despatch principles shall not apply to purchase of power from Renewable Energy sources up to the RPO specified by the Commission:
- Provided further that at the time of filing of the MYT Petition, in case the Long-term Discom Resource Adequacy Plan (LT-DRAP), as vetted by the Central Electricity Authority is not finalized, the finalized plan shall be filed along with the ARR and determination of tariff petition for the second year of the Control Period.
- 17.5 The petitioner shall develop the forecast of expected revenue from tariff and charges based on the following:
- (a) in case of Generating Company, estimates of quantum of electricity to be generated by each Unit/Station for each year of the Control Period;
 - (b) in case of Transmission Licensee, estimates of transmission capacity allocated to



Transmission System Users for each year of the Control Period;

- (c) in case of SLDC, estimates of services to be extended to the beneficiaries for each year of the Control Period;
- (d) in case of a Distribution Licensee, estimates of quantum of electricity to be supplied to consumers and to be wheeled on behalf of Distribution System Users for ensuing year within the Control Period:

Provided that Distribution Licensee shall submit relevant details of category-wise sales separately for each Distribution Franchisee area, including the Input Energy and the Input Rate;

- (e) prevailing tariffs as on the date of making the application.

17.6 Based on the forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges, Generating Company, Transmission Licensee, SLDC and Distribution Licensee for Distribution Wires Business and Retail Supply Business, shall propose the tariff that would meet the Aggregate Revenue Requirement, including unrecovered revenue gaps of previous years to the extent proposed to be recovered.

17.7 The Applicant shall provide full details supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements and/or secondary research, to enable the Commission to assess the reasonableness of the forecast.

18 Specific trajectory for certain variables

18.1 While approving the MYT Petition, the Commission may stipulate a trajectory for certain variables, including but not be limited to transmission losses, distribution losses, wheeling losses, collection efficiency, AT&C losses for the entire Control Period.

19 Controllable and uncontrollable factors

19.1 For the purpose of these Regulations, the term “uncontrollable factors” shall comprise of the following factors, which were beyond the control of the Applicant, and could not be mitigated by the Applicant:

- (a) Force Majeure events;
- (b) Change in law; judicial pronouncements, and orders of the Central Government, the State Government or the Commission;
- (c) Economy wide influences such as unforeseen changes in inflation rates, taxes and statutory levies;



- (d) Delay in statutory clearances for land acquisition;
- (e) Variation in the price of fuel and/ or price of power purchase;
- (f) Variation in the number or mix of consumer or quantities of electricity supplied to consumers;

Provided that where there is more than one Distribution Licensee within the area of supply of the Applicant, any variation in the number or mix of consumers or in the quantities of electricity supplied to consumers within the area served by two or more such Distribution Licensees, on account of migration from one Distribution Licensee to another, shall be attributable to controllable factors;

- (g) Income from realisation of bad debts written off:

Provided that where the Applicant believes, for any variable not specified above, that there is a material variation or expected variation in performance for any financial year on account of uncontrollable factors, such Applicant may apply to the Commission for inclusion of such variable at the Commission's discretion, under these Regulations for such financial year.

19.2 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 capitalisation on account of time and/or cost overruns/ efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;
- (b) Variation in Interest and Finance Charges, Return on Equity, Return on Capital Employed and Depreciation on account of variation in capitalisation, as specified in clause (a) above;
- (c) Variations in Intra-State transmission losses of Transmission Licensee;
- (d) Variations in technical and commercial losses of Distribution Licensee;
- (e) Variations in performance parameters;
- (f) Variations in interest on working capital;
- (g) Failure to meet the standards specified in the Gujarat Electricity Regulatory Commission (Standard of Performance of Distribution Licensee) Regulations, 2005, as amended from time to time, except where exempted in accordance with those Regulations;



- (h) Variations in labour productivity;
- (i) Variation in Operation & Maintenance expenses;
- (j) Variation in Operating norms;
- (k) Bad debts written off.

20 Mechanism for pass through of gains or losses on account of uncontrollable factors

- 20.1 Approved aggregate gains or losses to Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in tariff of Generating Company or Transmission Licensee or SLDC or Distribution Licensee over such period as may be specified in the order of the Commission passed under these Regulations.
- 20.2 Generating Company or Transmission Licensee or SLDC or 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.
- 20.3 Nothing contained in this Regulation 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 in accordance with the FPPAS formula specified in Regulation 115 of these Regulations.

21 Mechanism for sharing of gains or losses on account of controllable factors

- 21.1 The approved aggregate gains to Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:
- (a) Two-third of the amount of such gains shall be passed on as a rebate in tariff over such period as may be stipulated in the order of the Commission under Regulation 16.7 these Regulations; and
 - (b) Balance amount of such gains shall be retained by Generating Company or Transmission Licensee or SLDC or Distribution Licensee.
- 21.2 Approved aggregate losses to Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:
- (a) One-third of the amount of such losses may be passed on as an additional charge in tariffs over such period as may be stipulated in the order of the Commission



under Regulation 16.7 of these Regulations; and

(b) Balance amount of such losses shall be absorbed by Generating Company or Transmission Licensee or SLDC or Distribution Licensee.

21.3 Approved gains or losses to Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of variation in interest rate on long term loan shall be dealt with in the manner as specified in Regulation 33 of these Regulations.

22 Determination of Tariff

22.1 Proceedings to be held by the Commission for determination of tariff shall be in accordance with the Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.

22.2 Notwithstanding anything contained in these Regulations, the Commission shall have, at all times, the authority, either on suo-motu basis or on a petition filed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, to determine the tariff or Fees and Charges, including terms and conditions thereof, of any Generating Company or Transmission Licensee or SLDC or Distribution Licensee:

Provided that such determination of tariff or Fees and Charges may be pursuant to an agreement or arrangement or otherwise whether or not previously approved by the Commission and entered into at any time before or after the applicability of these Regulations.

22.3 Notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff, if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government:

Provided that the Applicant shall provide such information as the Commission may require for satisfying itself that the guidelines issued by the Central Government have been duly followed.

23 Determination of Generation Tariff

23.1 Existing Generating Station:

23.1.1 Where the Commission has, at any time prior to the date of effectiveness of these Regulations, approved a power purchase agreement or arrangement between a Generating Company and a Distribution Licensee or has adopted the tariff contained therein for supply of electricity from an existing generating Unit/Station, the tariff for supply of electricity by the Generating Company to the Distribution Licensee shall be in accordance with tariff mentioned in such power purchase agreement or arrangement for such period as may be so approved or adopted by the Commission.



23.1.2 Where, as on the date of effectiveness of these Regulations, the power purchase agreement or arrangement between a Generating Company and a Distribution Licensee for supply of electricity from an existing generating station has not been approved by the Commission or the tariff contained therein has not been adopted by the Commission or where there is no power purchase agreement or arrangement, the supply of electricity by such Generating Company to such Distribution Licensee after the date of effectiveness of these Regulations shall be in accordance with a power purchase agreement approved by the Commission:

Provided that an application for approval of such power purchase agreement or arrangement shall be made by Distribution Licensee to the Commission within a period of three (3) months from the date of notification of these Regulations:

Provided further that the supply of electricity shall be allowed to continue under the present agreement or arrangement, as the case may be, until such time as the Commission approves of such power purchase agreement and shall be discontinued forthwith if the Commission rejects, for reasons recorded in writing, such power purchase agreement or arrangement.

23.2 New Generating Stations:

23.2.1 Tariff for the supply of electricity by Generating Company to Distribution Licensee from a new generating Unit/Station shall be in accordance with tariff as per power purchase agreement approved by the Commission.

23.3 Own Generating Stations:

23.3.1 Where Distribution Licensee also undertakes the business of generation of electricity, the transfer price at which electricity is supplied by Generation Business of the Distribution Licensee to its Retail Supply Business shall be determined by the Commission:

Provided that the Commission shall have regard to the terms and conditions specified in **Chapter 4** of these Regulations in determination of transfer price for such supply.

23.4 Distribution Licensee shall maintain separate records for the Generation Business and shall maintain an Allocation Statement so as to enable the Commission to clearly identify the direct and indirect costs relating to such business and return on equity accruing to such business:

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts.



23.5 Distribution Licensee shall submit, along with the separate application for determination of tariff for retail supply of electricity, the information required under **Chapter 4** of these Regulations relating to the Generation Business.

24 Determination of Tariff or Fees and Charges for Transmission, SLDC, Distribution Wires Business, Retail Supply Business

24.1 The Commission shall determine the Aggregate Revenue Requirement and tariff for Transmission Business, Distribution Wires Business, Retail Supply Business and Fees and charges for SLDC based on a petition filed by Transmission Licensee, Distribution Licensee or SLDC, as the case may be, in accordance with the procedure contained in these Regulations.

24.2 The Commission shall determine the tariff for:

- (a) Transmission of electricity, in accordance with the terms and conditions contained in **Chapter 5** of these Regulations;
- (b) SLDC Fees & Charges, in accordance with the terms and conditions contained in **Chapter 6** of these Regulations;
- (c) Distribution Wires Business, in accordance with the terms and conditions contained in **Chapter 7** of these Regulations; and
- (d) Retail Supply Business, in accordance with the terms and conditions contained in **Chapter 8** of these Regulations.

25 Filing Procedure

25.1 The Petitioner shall provide, as part of its petition to the Commission, in such form as may be prescribed by the Commission from time to time, full details of its computation of the Aggregate Revenue Requirement and expected revenue from tariff and charges, and thereafter, shall also furnish such further information or particulars or documents as the Commission, or the Secretary or any Officer designated for the purpose by the Commission may reasonably require to assess such calculation:

Provided that the petition shall be accompanied where relevant, by a detailed tariff and charges revision proposal showing category-wise tariff and how such revision would meet the gap, if any, in Aggregate Revenue Requirement for the respective year of the Control Period:

Provided further that the Commission may specify different formats for details to be submitted by the petitioner, from time to time, as it may reasonably require for assessing the Aggregate Revenue Requirement and for determining the tariff:

Provided also that the Commission, or the Secretary or any Officer designated for the



purpose by the Commission, may conduct a Technical Validation session prior to the admission of the petition.

- 25.2 Petition made shall be supported by affidavit of the person acquainted with the facts stated in the petition.
- 25.3 Upon receipt of a complete petition accompanied by all requisite information, particulars and documents in compliance with all the requirements specified in these Regulations, the application shall be deemed to be received and the Commission or the Secretary or the designated Officer, shall intimate to the petitioner, subject to the satisfactory completion the Technical Validation Session, that the petition is registered and ready for publication.
- 25.4 The Petitioner shall, within 7 days after registration of the Petition, publish a notice of his application in at least two daily newspapers, one in English language and one in vernacular language, having wide circulation in the relevant area:
- Provided that the Petitioner shall make available a hard copy of the complete Petition to any person, at such locations and at such rates as may be stipulated by the Commission:
- Provided further that the Petitioner shall also provide on its internet website, in text-searchable format or in downloadable spreadsheet format and showing detailed computations, the petition filed before the Commission along with all regulatory filings, information, particulars and documents in the manner stipulated by the Commission:
- Provided also that the web link to the complete petition, including its formats and any additional information, shall be easily accessible, archived for downloading and be prominently displayed on the Petitioner's internet website:
- Provided also that the Petitioner may be exempted by the Commission from providing any such information, particulars or documents as are confidential in nature.
- 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 petition.
- 25.5 The Petitioner shall furnish to the Commission all such books and records (or certified true copies thereof), including the Accounting Statements, operational and cost data, as may be required by it for determination of Tariff.
- 25.6 The Commission may, if it considers necessary, make or cause to be made available to any person such information as has been provided by the Petitioner to it, including



abstracts of books and records (or certified true copies thereof) on such terms and conditions as may be specified in Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.

- 25.7 The Commission may direct Generating Company, Transmission Licensee, SLDC or Distribution Licensee to submit such performance-related data as it may stipulate, with the petitions to be filed under these Regulations.
- 25.8 The Petitioner shall within 7 days from the date of publication of the notice as aforesaid submit to the Commission on affidavit the details of the notice published and shall also file copies of the newspapers wherein the notice has been published.
- 25.9 The suggestions and objections, if any, on the proposal for determination of tariff, may be filed before the Secretary, Gujarat Electricity Regulatory Commission, by any person within 30 days of publication of this notice, with a copy to the Petitioner.
- 25.10 The Petitioner shall file its replies on the suggestions and objections, if any, received in response to his Petition within the time limit specified in Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.
- 25.11 The Petitioner shall file its MYT Petition, Mid-Term Review petition and/or Truing-up petition, as may be applicable, by 30th November of the year in which it is required to be filed in accordance with these Regulations:

Provided that that if petition is not filed within the specified timelines, the Petitioner may be penalized by way of reduction in the rate of return on equity by 0.25% per month or part thereof without prejudice to any other fine or penalty to which it may be liable under Electricity Act, 2003 and other Regulations of the Commission including but not limited to Gujarat Electricity Regulatory Commission (Fees, Fines and Charges) Regulations, 2005, as amended from /time to time:

Provided further that if petition is not filed within the specified timelines and/or data sought by the Commission for processing the petition is not submitted within the stipulated time, then the corresponding revenue loss and associated carrying cost due to consequential delay in issue of the Order, shall not be allowed to the Generating Company or Transmission Licensee or Distribution Licensees or SLDC, as the case may be. However, in case of over-recovered amount during the true-up period and delayed filing of true-up petition along with requisite documents, the surplus amount with holding cost / interest shall be recovered in terms of Regulation 16.7 of these Regulations along with surplus amount.

26 Tariff Order

- 26.1 The Commission shall, within one hundred and twenty (120) days from the date of



registration of a complete petition and after considering all suggestions and objections received from the public:

- (a) issue a tariff order accepting the petition with such modifications or such conditions as may be specified in that order; or
- (b) reject the Petition for reasons to be recorded in writing if such 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 a Petitioner shall be given a reasonable opportunity of being heard before rejecting its Petition.

- 26.2 The tariffs so published 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.

27 Adherence to Tariff Order

- 27.1 If any Generating Company or Transmission Licensee or SLDC or Distribution Licensee recovers a price or charge exceeding the tariff determined under Section 62 of the Act 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 declared by the Reserve Bank of India prevailing during the relevant period, without prejudice to any other liability incurred by such Generating Company or Transmission Licensee or SLDC or Distribution Licensee:

Provided that such interest payable to any party shall not be allowed to be recovered through the Aggregate Revenue Requirement of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee:

Provided also that the Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall maintain separate details of such interest paid or payable by it and shall submit them to the Commission along with its Petition.

- 27.2 Generating Companies or Transmission Licensees or SLDC or Distribution Licensees 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.

28 Subsidy Mechanism

- 28.1 With effect from the first day of April 2024, if the State Government requires to grant any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State Government shall, notwithstanding any direction which may be



given under Section 108 of the Act, pay in advance the amount to compensate the Distribution Licensee/person affected by the grant of subsidy, as a condition for the Licensee or any other person concerned to implement the subsidy provided for by the State Government, in the manner specified in these Regulations:

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in these Regulations, and the tariff fixed by the Commission shall be applicable from the date of issue of orders by the Commission in this regard.

- 28.2 Accounting of the subsidy payable under section 65 of the Act, shall be done by the Distribution Licensee, in accordance with the Standard Operating Procedures issued by the Central Government, in this regard.
- 28.3 Distribution Licensee shall submit to the Commission a quarterly report consisting of details w.r.t demands of subsidy raised by Distribution Licensee to the State Government during the relevant quarter based on the accounts of the energy consumed by the subsidised category and consumer category wise per unit subsidy declared by the State Government, the actual payment of subsidy in accordance with section 65 of the Act and the gap in subsidy due and paid as well as other relevant details, as may be specified by the Commission and / or Ministry of Power vide its Rules framed under the provisions of the Act.

Explanation: The term “Unit” means Kilo Watt Hour (kWh) or Kilo Watt (kW) or Horse Power (HP) or Kilo Volt Ampere (kVA), in accordance with the relevant Regulations or the Tariff Orders issued by the Commission.

- 28.4 In case subsidy has not been paid in advance, the Commission shall issue order for implementation of the tariff without subsidy, in accordance with provisions of the section 65 of the Act.
- 28.5 If subsidy accounting and the bills raised for subsidy is not found in accordance with the Act or Rules or Regulations issued there under, the Commission shall take appropriate action against the concerned officers of the Distribution Licensee for non-compliance as per provisions of the Act.



CHAPTER 3: FINANCIAL PRINCIPLES

29 Capital Cost

29.1 In case of existing projects, the capital cost admitted by the Commission prior to April 01, 2024 and the additional capital expenditure projected to be incurred for the respective year of the Control Period, as may be admitted by the Commission, shall form the basis for determination of tariff.

29.2 The Capital Cost for a new project shall include:

- (a) expenditure incurred or projected to be incurred upto the cut-off date, including interest during construction, financing charges and incidental expenditure during construction, up to the date of commercial operation of the project, as admitted by the Commission after prudence check;
- (b) capitalised initial spares subject to the ceiling rates specified in these Regulations;
- (c) expenditure on account of additional capitalisation as determined in accordance with Regulation 30 of these Regulations;
- (d) any gains or losses on account of foreign exchange rate variation pertaining to the loan amount availed up to the cut-off date, as admitted by the Commission after prudence check:

Provided that any gains or losses on account of foreign exchange rate variation pertaining to the loan amount availed up to the date of commercial operation shall be adjusted only against the debt component of the capital cost:

Provided also that the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit documentary evidence in support of its claim of assets being put to use:

Provided also that the Commission may undertake a verification to check if the assets are put to use as submitted by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, independent of the tariff determination process.

29.3 In case of existing or new hydro Generating Station, the Capital cost shall also include 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.

29.4 Following shall be excluded from the capital cost of the existing and new projects:

- (a) The assets forming part of the project, but not put to use or not in use, as declared in the tariff petition;



- (b) De-capitalised assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project:
- (c) In case of hydro generating stations, 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 transparent process;
- (d) Proportionate cost of land of the existing project which is being used for generating power from renewable sources; and
- (e) Any consumer contribution or 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;
- (f) 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.

29.5 Capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that in case of Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, 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 further that in cases where benchmark norms have been specified, Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall submit the reasons for exceeding the capital cost from benchmark norms to the satisfaction of the Commission for allowing cost above benchmark norms;

Provided also that in cases where benchmark norms have not been specified, prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, competitive bidding, cost over-run and time overrun, and such other matters as may be considered appropriate by the Commission for determination of tariff.

29.6 Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall furnish the details of capital cost for execution of the existing and new projects as per formats specified/to be specified by the Commission from time to time along with tariff petition for the purpose of creating a database of benchmark capital cost of various components.



- 29.7 The Commission may get the capital cost of any project vetted by an independent agency or an external expert. However, the same shall be considered as one of the guiding factors only and shall not be binding on the Commission.
- 29.8 The Commission has specified the Guidelines for approval of Capital Investment Schemes as provided in **Annexure III** of these Regulations. The Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving major investments as per criteria specified in these Guidelines.
- 29.9 Capital cost to be allowed by the Commission for the purpose of determination of tariff for respective businesses will be based on the Detailed Project Reports (DPRs) and Capital Investment Plan as approved by the Commission from time to time:
- Provided that the capital investment plan shall contain the scheme details, justification for the work, capitalization schedule, capital structure and cost benefit analysis (wherever applicable):
- Provided further that Capital cost considered by the Commission in the MYT Orders shall not be termed as “In-principal approval” and the same shall be governed by the provisions of **Annexure III** of these Regulations.
- 29.10 Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit the Detailed Project Reports (DPRs) for all the Schemes, which shall include:
- (a) Scope and Objective;
 - (b) Purpose of investment;
 - (c) Broad Technical Specifications of the proposed investment and supporting details;
 - (d) Capital Structure;
 - (e) Capitalization Schedule;
 - (f) Financing Plan, including identified sources of investment;
 - (g) Physical targets;
 - (h) Cost-benefit analysis;
 - (i) Prioritization of proposed investments:
- Provided that DPRs will not be necessary for schemes below the threshold level as provided in the Guidelines for Capital Investment Plan annexed as **Annexure III** of this Regulations:



Provided further that the Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall also submit all details including DPRs and other approval documents, of Schemes funded through a through Central or State Grant or through Consumer Contribution or through Deposit works and/or Loan convertible to grant on fulfilment of specified conditions, to the Commission prior to the initiating execution of such Schemes:

Provided further that Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further, the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register (FAR) for allowance of the capitalization of the same by the Commission:

Provided further that regarding the assets already capitalized as on April 01, 2024, Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall prepare and submit to the Commission a time-bound plan to undertake the geo-tagging in phased manner, preferably within the Control Period, along with the MYT Petition:

Provided further that Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, must provide access of the details of geo-tagging to the Commission for online monitoring.

29.11 Approved capital cost shall be considered for determination of tariff and any escalation in the capital cost for which sufficient justification is provided may be considered by the Commission subject to prudence check:

Provided that in case the actual capital cost is lower than the approved capital cost, then the actual capital cost will be considered for determination of tariff of Generating Company, Transmission Licensee, SLDC and Distribution Licensee.

29.12 Capital cost of the assets related to unregulated business being transferred to regulated business shall be considered after deducting the amount of accumulated depreciation, computed till the period of asset utilisation for unregulated business or for the period for which the assets remained unutilised, for the purpose of tariff determination, in the following instances:

(a) The asset/s have been used for a period of time for unregulated business or the asset/s have become part of the asset base of the regulated business after lapse of time with respect to the COD of the asset;



(b) If the asset has not been put to use for the regulated business after COD.

- 29.13 Actual capital expenditure as on COD for the original scope of work may be considered based on audited accounts of Generating Company or Transmission Licensee or SLDC or Distribution Licensee, limited to original cost and subject to prudence check by the Commission.
- 29.14 The Commission may approve, an additional amount up to 20% of the total capital expenditure approved for that year, towards planned or unplanned capital expenditure for which DPR is yet to be approved by the Commission.
- 29.15 The cumulative amount of capitalisation against non-DPR schemes for any year shall not exceed 20%, of the cumulative amount of capitalisation approved against DPR schemes for that Year:
- Provided that the capitalisation under schemes funded through Central or State grant or through Consumer Contribution or through Deposit works shall not form part of the above-mentioned limit of 20% of the cumulative capitalisation:
- Provided further that Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, should ensure that expenses that would normally be classified as O&M expenses are not categorised under non-DPR schemes.
- 29.16 In case of existing Distribution Licensees supplying in SEZs, SIRs, Ports and new Distribution Licensees, recovery of expenses attributable to the capitalized assets, i.e. depreciation, interest on loan, RoE and / or RoCE shall be allowed on pro-rata basis till the asset loading attains forty (40) percent, while the unrecovered portion of expenses will be deferred without any carrying cost.
- 29.17 Generating Company or Distribution Licensee shall provide a copy of the proposed Capital Investment Plan for Generation and/or Distribution Business, as the case may be, to the State Transmission Utility (STU) for carrying out planning for network augmentation/ strengthening at the time of filing of this plan with the Commission. The copy of approved capital investment plan shall also be sent to the STU, immediately after approval by the Commission.
- 29.18 Where the power purchase agreement or bulk power transmission agreement provides for a ceiling of capital cost, the capital cost to be considered shall not exceed such ceiling.
- 29.19 Revenue earned from sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 51 of these Regulations, shall be adjusted against the Capital Cost.



29.20 Capital cost may include initial spares capitalised as a percentage of the Plant and Machinery cost upto cut-off date, subject to following ceiling norms:

(a) Coal-based/lignite-fired thermal generating stations	-	4.0 %
(b) Gas Turbine/Combined Cycle thermal generating stations	-	4.0 %
(c) Hydro generating stations including pumped storage hydro generating station	-	4.0 %
(d) Transmission system and Distribution System		
(i) Transmission Line & Distribution Line	-	1.0 %
(ii) Transmission Sub-station & Distribution Sub-station (Green-Field)		4.0 %
(iii) Transmission Sub-station (Brown Field)	-	6.0 %
(iv) Series Compensation devices and HVDC Sub-station	-	4.0 %
(v) Gas Insulated Sub-station (GIS)	-	5.0 %
(vi) Communication System	-	3.5 %
(vii) Static Synchronous Compensator	-	6.0 %

29.21 The impact of revaluation of assets shall be permitted during the Control Period, provided it does not result in increase in tariff of Generating Company, Transmission Licensee, SLDC or Distribution Licensee:

Provided that any benefit from such revaluation shall be passed on to persons sharing the capacity charge in case of a Generating Company, or to long-term Intra-State open access customers of Transmission Licensee or Distribution Licensee, or retail supply consumers in case of Distribution Licensees, at the time of Multi-Year Tariff determination, or Mid-term Review or Truing up, as the case may be.

29.22 Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to Generating Company, Transmission Licensee, SLDC or Distribution Licensee, shall be considered after writing off the net value of such replaced assets from the original capital cost and will be calculated as follows:

$$\text{Net Value of Replaced Assets} = \text{OCRA} - \text{AD} - \text{G/CC};$$



Where;

OCRA: Original Capital Cost of Replaced Assets;

AD: Accumulated depreciation pertaining to the Replaced Assets;

G/CC: Total Grants or Consumer Contribution pertaining to the Replaced Assets:

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

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

Explanation – For the purpose of this Regulation, the term 'renovation and modernisation' shall have the same meaning as in Section 80 IA of the Income-Tax Act, 1961.

30 Additional Capitalisation

30.1 Additional Capitalisation within the original scope and upto the cut-off date:

30.1.1 Capital expenditure, actually incurred or projected to be incurred, in respect of new project or an existing project, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Undischarged liabilities recognized to be payable at a future date;
- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 29.20 of these Regulations;
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;
- (v) Change in law or compliance of any existing law; and
- (vi) Force Majeure events:

Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization:

Provided that the details of works asset-wise/work-wise included in the original scope



of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of tariff after the date of commercial operation of the Generating Unit/Station or Transmission system.

30.2 Additional Capitalisation within the original scope and after the cut-off date:

30.2.1 Capital expenditure incurred or projected to be incurred in respect of the new project on the following counts within the original scope of work after the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Liabilities to meet award of arbitration or for compliance of direction or of any statutory authority or order or decree of a court of law;
- (ii) Change in law or compliance of any existing law;
- (iii) Deferred works relating to ash pond or ash handling system in the original scope of work;
- (iv) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments, etc.
- (v) Force Majeure events;
- (vi) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;
- (vii) Any additional capital expenditure which has become necessary for efficient operation:

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

Provided further that the approval of additional capital expenditure for efficient operation shall be subject to submission of report on impact assessment done by any reputed third-party technical expert/agency on the benefits realised from previous investments under this head in the last five years;

- (viii) Raising of ash dyke as a part of ash disposal system.

Provided that in case of replacement of assets deployed under the original scope of the existing project after cut-off date, the additional capitalization may be



admitted by the Commission, after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:

- (a) Useful life of the assets is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these Regulations;
- (b) Replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;
- (c) Replacement of such asset or equipment is necessary on account of obsolescence of technology; and
- (d) Replacement of such asset or equipment has otherwise been allowed by the Commission.

30.3 **Additional Capitalisation beyond the original scope of work:**

30.3.1 Capital expenditure, in respect of existing Generating station or Transmission system including communication system, incurred or projected to be incurred on the following counts beyond the original scope of work, may be admitted by the Commission, subject to prudence check:

- (i) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;
- (ii) Change in law or compliance of any existing law;
- (iii) Force majeure events;
- (iv) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies or statutory authorities responsible for national security/internal security;
- (v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;
- (vi) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;
- (vii) Usage of water from sewage treatment plant in thermal generating station:

Provided that any expenditure, which has been claimed under Renovation and Modernisation or repairs and maintenance under O&M expenses, shall not be claimed under this Regulation;



- (viii) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal/ lignite based stations or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;
- (ix) In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;
- (x) In case of transmission system, any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement due to obsolescence of technology, replacement of switchyard equipment due to increase of fault level, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, replacement of porcelain insulator with polymer insulators, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system; and
- (xi) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, 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 w.e.f. April 01, 2024:

Provided further that if any expenditure has been claimed under Renovation and Modernisation or repairs and maintenance under (O&M) expenses, same expenditure cannot be claimed under this Regulation.



30.4 Additional Capitalization on account of Revised Emission Standards:

30.4.1 A Generating Company requiring to incur additional capital expenditure in the existing generating station for compliance of the revised emissions standards, may be admitted by the Commission, subject to prudence check based on the following details to be submitted by the Generating Company:

- (i) details of proposed technology as specified by the Central Electricity Authority or alternative technology based on appropriate justification;
- (ii) scope of work;
- (iii) phasing of expenditure;
- (iv) schedule of completion;
- (v) estimated completion cost including foreign exchange component, if any;
- (vi) detailed computation of indicative impact on tariff to the beneficiaries; and
- (vii) any other information considered to be relevant by the Generating Company:

Provided that the Commission may grant approval after due consideration of the 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.

30.5 In case of de-capitalisation of assets of a Generating Company or Transmission Licensee or SLDC or Distribution 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-capitalisation takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised.

Provided that the de-capitalization of the old asset for the purpose of tariff, is affected from the very same year in which the capitalization of the new asset is allowed, irrespective of its actual de-capitalization in the books of accounts of the Generating Company, Transmission Licensee, SLDC or Distribution Licensee, as the case may be.

Provided that in case the original cost of the de-capitalised asset is not available, the Commission shall consider the same by de-escalating the gross value of the new asset @ 5% per annum until the year of capitalization of the old asset.

31 Consumer contribution, Deposit Work and Grant



- 31.1 The expenses on the following categories of works carried out by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall be treated as specified in Regulation 31.2:
- (a) Works after obtaining a part or all of the funds from the users in the context of deposit works or consumer contribution works;
 - (b) Capital works undertaken by utilising grants or capital subsidy received from the State and Central Governments, including funds under various schemes;
 - (j) Provided that a capital works or scheme of Central or State Government funded through loan convertible fully or partially to grant on fulfilment of certain conditions, shall be considered to be funded through grant to the maximum possible extent, even if such loan is not converted to grant due to non-fulfilment of such conditions by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee.
 - (c) Any other grant of similar nature and such amount received without any obligation to return the same and with no interest costs attached to such subvention.
- 31.2 The expenses on such capital works shall be treated as follows:-
- (a) normative O&M expenses as specified in these Regulations shall be allowed;
 - (b) the Debt:Equity ratio, shall be considered in accordance with Regulation 32, after deducting the amount of such financial support received;
 - (c) provisions related to depreciation, as specified in Regulation 37, shall not be applicable to the extent of such financial support received;
 - (d) provisions related to Return on Equity, as specified in Regulation 35 shall not be applicable to the extent of such financial support received;
 - (e) provisions related to Interest on Loan Capital, as specified in Regulation 33 shall not be applicable to the extent of such financial support received;
 - (f) provisions related to Return on Capital Employed, as specified in Regulation 36 shall not be applicable to the extent of such financial support received.

32 Debt-Equity ratio

- 32.1 **Existing Projects:** In case of a Generating Company, Transmission Licensee, SLDC and Distribution Licensee, if any fixed asset is capitalised on account of capital expenditure incurred prior to April 01, 2024, debt-equity ratio as allowed by the Commission for determination of tariff for the period ending March 31, 2024 shall be considered:



Provided that in case of a generating station or a transmission system or a communication system or a distribution system, which has completed its useful life as on or after 1.4.2024, the excess of accumulated depreciation net of cumulative repayment of normative loan attributable to such asset, shall be utilized for reduction of the equity over the period of next five financial years in equal tranches:

Provided also that 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, if any and thereafter shall be utilized for reduction of equity:

Provided further that in case of de-capitalisation or retirement or replacement of assets, the equity capital approved for the said asset, 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 decapitalised 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 de-capitalised or retired or replaced asset:

Provided further that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity:

Provided further that for the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee formed as a result of a Transfer Scheme, the date of the Transfer Scheme shall be the effective date for the determination of equity capital.

32.2 New Projects: In case of a Generating Company, Transmission Licensee, SLDC and Distribution Licensee, if any fixed asset is capitalised on account of capital expenditure incurred on or after April 01, 2024, for determination of Tariff the debt-equity ratio as on the date of commercial operation shall be considered on normative basis at 70:30 of the amount of capital cost approved by the Commission under Regulation 29 of these Regulations, after prudence check.

Provided that:

- (i) where actual equity employed is more than 30% of capital cost approved by the Commission, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as normative loan:
- (ii) where actual equity employed is less than 30% of capital cost approved by the Commission, the actual equity shall be considered, and the balance amount in excess of 70% normative loan shall also be considered as loan:



- (iii) the equity invested in foreign currency shall be designated in Indian rupees based on the exchange rate prevailing on the date(s) it is subscribed:
 - (iv) any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio.
 - (v) Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit the resolution of the Board of the company or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure.
- 32.3 In case of Transmission Licensee or Distribution Licensee, the cost of project and accordingly debt equity ratio may be calculated considering the whole network of transmission or distribution system of the licensee, as the case may be, in place of individual line or project.
- 32.4 Any expenditure incurred or projected to be incurred on or after April 01, 2024, as may be admitted by the Commission as additional capital expenditure for determination of Tariff, and renovation and modernisation expenditure for life extension, shall be serviced in the manner specified in this Regulation.

33 Interest and finance charges

- 33.1 The loans arrived at in the manner indicated in Regulation 32 of these Regulations on the assets put to use prior to April 01, 2024, shall be considered as gross normative loan for calculation of interest on loan:
- Provided that interest and finance charges on capital works in progress shall be excluded:
- Provided further that in case of de-capitalisation or retirement or replacement of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of the de-capitalised or retired or replaced assets, based on documentary evidence.
- 33.2 Normative loan outstanding as on April 01, 2024, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2024, from the gross normative loan.
- 33.3 Repayment for the year during the Control Period from FY 2024-25 to FY 2028-29 shall be deemed to be equal to the depreciation allowed for that year, attributable towards the assets put to use prior to April 01, 2024, subject to maximum of outstanding normative loan and any normative loan addition during the year.



33.4 Notwithstanding any moratorium period availed by the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee, as the case may be, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

33.5 Rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to Generating Company or Transmission Licensee or SLDC or Distribution Licensee:

Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to Generating Company or Transmission Licensee or SLDC or Distribution Licensee, corresponding to the regulated business, shall be considered as the rate of interest:

Provided that the normative weighted average rate of interest shall be allowed based on actual weighted average rate of interest, if it varies between one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 50 basis point and one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 150 basis points during the year:

Provided further that if actual weighted average rate of interest exceeds one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 150 basis points, then the normative weighted average rate of interest shall be restricted to one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 150 basis points during the year:

Provided further that if the Petitioner is able to achieve actual weighted average rate of interest less than one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 50 basis points, then the normative weighted average rate of interest shall be allowed as per actual weighted average rate of interest and the net savings on account of efficient financing shall be shared between the beneficiaries and the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee, as the case may be, in the ratio of 50:50:

Provided further that if there is no actual loan, corresponding to the regulated business, for a particular year but normative loan is still outstanding, one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 50 basis points, as determined by the Commission in the Order, shall be considered.



- 33.6 The rate of interest on loan for installation of Emission Control System shall be the weighted average rate of interest of actual loan portfolio of the Emission Control System or in the absence of actual loan portfolio, the weighted average rate of interest computed in accordance with Regulation 33.5 shall be considered.
- 33.7 Interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest:
- Provided that at the time of truing up, the normative average loan of the year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.
- Provided further that neither penal interest nor overdue interest shall be allowed for computation of tariff.
- 33.8 Excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission based on the justification to be submitted by the Generating Company or Transmission Licensee or Distribution Licensee along with documentary evidence, as applicable:
- Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Generating Entity or the Transmission Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:
- Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:
- Provided also that the Commission may also take into consideration the impact of time overrun on the supply of electricity to the concerned Beneficiary/ies.
- 33.9 Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, in the ratio of 50:50:
- Provided that in case of SLDC, this provision shall be applicable only to those Intra-State entities who are availing long-term or medium term services of SLDC:



Provided further that refinancing shall be allowed if the resultant weighted average rate of interest is below one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for one year period) plus 150 basis point:

Provided further that if the existing weighted average rate of interest exceeds one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for one year period) plus 150 basis point, the refinancing gains shall be computed based on resultant weighted average rate of interest vis-à-vis one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 150 basis point:

Provided further that if the resultant weighted average rate of interest is below one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 50 basis point, the refinancing gains shall be computed based on existing weighted average rate of interest vis-à-vis one-year SBI MCLR (or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period) plus 50 basis point:

Provided further that refinancing shall not be done if it results in increase in rate of interest of existing loan:

Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

Provided also that Generating Company or Transmission Licensee or Distribution Licensee or SLDC, as the case may be, shall submit documentary evidence of the costs associated with such re-financing:

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India for Indian institutions, before and after re-financing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the normative loan, and the annual net savings shall be shared between the Licensee and Beneficiaries in the specified ratio:

Provided further that if refinancing is done and results in decrease in interest rate but negative saving due to higher refinance cost, then the refinance cost to be allowed to the extent of Net Present Value (NPV) of the saving from decrease in interest cost and deduction of refinance cost results into ZERO.

34 Consumer Security Deposit



- 34.1 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 that at the time of Truing-up, the interest on the amount of security deposit for the year shall be considered on the basis of the actual interest paid by the Licensee during the year, subject to prudence check by the Commission.

35 Return on Equity

- 35.1 Maximum Return on Equity that shall be allowed on the equity capital determined in accordance with Regulation 32 of these Regulations for the assets put to use, up to the rate per annum in Indian Rupee terms is as mentioned below:

Generating Station – Thermal and Gas based	-	13.50 %
Generating Station – Hydro	-	14.00 %
Transmission Licensee	-	13.00 %
SLDC	-	13.00 %
Distribution Licensee		
(i) Wire Business	-	13.00 %
(ii) Retail Supply Business	-	14.00 %

Provided that Return on Equity shall be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance:

Provided further that Additional Return on Equity shall be trued-up for respective year based on actual performance substantiated by documentary evidence, after prudence check by the Commission.

Provided further that the Commission may conduct a third-party verification of the performance parameters based on which the additional Return on Equity is being allowed.

- 35.2 Base Return on Equity shall be allowed on the equity capital determined in accordance with Regulation 32 of these Regulations for the assets put to use, in Indian Rupee terms as follows:

(a) Thermal and Gas based Generating Stations – 12.00% per annum;



- (b) Hydro Generating Stations – 14.00% per annum (without any break-up between base RoE and incremental RoE);
- (c) Transmission Licensee, SLDC and Wire Business of Distribution Licensee – 11.50% per annum; and
- (d) Retail Supply Business of Distribution Licensee – 12.50%:

Provided that in case Generating Company or Transmission Licensee or SLDC or Distribution Licensee claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional:

Provided further that such claim for lower Return on Equity shall be allowed subject to the condition that the reduction in Return on Equity shall be foregone permanently for that year and shall not be allowed to be recouped at the time of Mid-Term Review or true-up as applicable.

35.3 The Base Return on Equity shall be computed in the following manner:

- (a) Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year; plus
- (b) Return at the allowable rate as per this Regulation, applied on 50 per cent of the equity capital portion of the allowable capital cost, for the investments put to use in Generation Business or Transmission Business or Distribution Business or SLDC, for such year.

35.4 In case of a new project, the rate of Return on Equity shall be reduced by 1.00% for such period as may be decided by the Commission, if generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the SLDC.

35.5 In case of existing generating station, as and when any of the requirements under Regulation 35.4 of these Regulations are found lacking based on the report submitted by the SLDC, rate of Return on Equity shall be reduced by 1.00% per year at the time of true-up, for the period for which the deficiency continues.

35.6 In case of a thermal generating unit, with effect from April 01, 2024, the additional rate of Return on Equity shall be true-up subject to the following:

- (a) an additional rate of Return on Equity of 0.125% shall be allowed for every incremental ramp rate of 1% per minute achieved over and above the ramp rate of



1% per minute, subject to ceiling of additional rate of Return on Equity of 0.50%, for the year in which such ramp rate is achieved.

Provided that additional rate of Return on Equity shall be allowed on pro-rata basis for incremental ramp rate of more than 1% per minute.

- (b) an additional rate of Return on Equity shall be allowed as per the following schedule:
- (i) 0.50% for Unit that achieves Mean Time Between Failure (MTBF) of at least 45 days;
 - (ii) 0.75% for Unit that achieves Mean Time Between Failure (MTBF) of at least 90 days;
 - (iii) 1.00% for Unit that achieves Mean Time Between Failure (MTBF) of at least 120 days:

Provided that the Mean Time Between Failure (MTBF) shall be computed as provided in **Annexure IV** to these Regulations:

Provided further that the equity base for the respective unit shall be considered in proportion to the installed capacity of the generation station, in case the tariff is determined for the generation station as a whole.

35.7 In case of Transmission Licensee, with effect from April 01, 2024, the additional rate of Return on Equity shall be trued-up subject to the following:

- (a) an additional rate of Return on Equity of 0.25% shall be allowed on Transmission Availability for every 0.25% over-achievement from 98.50% for AC System and 95.00% for HVDC bi-pole links and HVDC back-to-back stations, up to Transmission Availability of 99.50% for AC System and 96.00% for HVDC bi-pole links and HVDC back-to-back stations,, subject to ceiling of additional rate of Return on Equity of 1.00%;
- (b) an additional rate of Return on Equity of 0.50% shall be allowed to the Transmission Licensee for reducing transmission loss levels beyond the lower limit of 0.10% of transmission loss trajectory provided by the Commission from time to time.

35.8 In case of SLDC, with effect from April 01, 2024, an additional rate of Return on Equity shall be trued-up, subject to the following:

- (a) Target Availability of SCADA System will be 98.00% and for every 0.50% over-achievement in Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;



- (b) Target Availability of Website Availability will be 98.00% and for every 0.50% overachievement in Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;
- (c) Additional rate of Return on Equity of 0.50% shall be allowed, if the total value of capital investment works capitalized in a financial year exceeds 80% of the approved capitalization of approved capital investment works.
- 35.9 From the beginning of third year of the Control Period, in case of Transmission Licensee- Gujarat Electricity Transmission Corporation Limited (GETCO) and SLDC, the additional rate of Return on Equity as mentioned in Regulation 35.7 and Regulation 35.8 of these Regulations, shall only be allowed, in case the SLDC is constituted as a separate and independent legal entity from GETCO in accordance with the provisions of Section 31(2) of the Act.
- 35.10 In case of Distribution Wires Business, with effect from April 01, 2024, an additional rate of Return on Equity shall be trued-up, subject to the following :
- (a) Target Wires Availability for recovery of base rate of return on equity shall be 96.00% for state government owned Distribution Licensees and 97.00% for other Distribution Licensees;
- (b) For every 0.50% over-achievement in Wires Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;
- (c) Wires Availability shall be computed in accordance with the following formula:
- $$\text{Wires Availability} = (1 - (\text{SAIDI} / 8760)) \times 100:$$
- Provided that the System Average Interruption Duration Index (SAIDI) shall be calculated in accordance with the definition specified in Gujarat Electricity Regulatory Commission (Standards of Performance of Distribution Licensees, Period for Giving Supply and Determination of Compensation) Regulations, 2005, as amended from time to time;
- (d) an additional rate of Return on Equity shall be allowed up to ceiling limit of 0.50% to state government owned Distribution Licensees for overachieving distribution loss levels by at least 0.10% or more as per the distribution loss level trajectory provided by the Commission in the MYT Order for the Control Period;
- (e) an additional rate of Return on Equity shall be allowed up to ceiling limit of 0.50% to state government owned Distribution Licensees for overachieving smart metering implementation target or any other performance parameter as per the



trajectory provided by the Commission in the MYT Order for the Control Period:

Provided that the mechanism for additional rate of Return on Equity, for the Wire Businesses of the Distribution Licensees other than state government owned Distribution Licensees, in lieu of clauses (d) and (e) above, shall be provided by the Commission in their respective MYT Orders.

- 35.11 In case of Retail Supply Business, with effect from April 01, 2024, an additional rate of Return on Equity on achievement of target performance parameters including overall collection efficiency, percentage of assessed bills over total bills or any other performance parameter shall be trued-up as per the trajectory provided by the Commission in the respective MYT Orders.
- 35.12 From the third year of the Control Period, in case of Distribution Licensees, the additional rate of Return on Equity as mentioned in Regulations 35.10 and 35.11 of these Regulations, shall only be allowed to Distribution Wire Business and Retail Supply Business, if separate books of accounts for the Distribution Wire Business and Retail Supply Business are maintained by the Distribution Licensee, and certified copies of such accounts from the Statutory Auditor are submitted along with the truing-up petitions for the respective financial years:
- Provided that the guidelines specified by the Commission as per **Annexure V** to these Regulations to be followed.
- 35.13 For the purpose of truing up for Generating Company, Transmission Licensee, SLDC and Distribution Licensee, Return on Equity shall be allowed on the amount of allowed equity capital for the assets put to use at the commencement of each financial year and on 50% of equity capital portion of the allowable capital cost for the investments put to use during the financial year.
- 35.14 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.
- 35.15 Premium if any, raised by Generating Company or Transmission Licensee or SLDC or Distribution Licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting capital expenditure, and are within the ceiling of 30% of capital cost approved by the Commission.

36 Return on Capital Employed in case of Assets capitalized on or after April 01, 2024

- 36.1 In case of an asset being capitalized on or after April 01, 2024, Return on Capital Employed (RoCE) approach shall be used to provide a return to the Generating



Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, and shall cover all financing costs except expenses for availing the loans, without providing separate allowances for interest on loans.

- 36.2 Regulated Rate Base (RBB) shall be used to calculate the total capital employed which shall include the Original Cost of Fixed Assets (OCFA) capitalized on or after April 01, 2024:

Provided that Capital Work in Progress (CWIP) shall not form part of the RRB:

Provided further that accumulated depreciation, consumer contribution, capital subsidies/ grants attributable to the fixed assets capitalized on or after April 01, 2024 shall be deducted in arriving at the RRB.

- 36.3 RRB shall be determined for each year of the Control Period at the beginning of the Control Period based on the approved capital investment plan with corresponding capitalisation schedule during the Control Period.

- 36.4 Regulated Rate Base for the i^{th} year of the Control Period shall be computed in the following manner:

$$RRB_i = RRB_{i-1} + \Delta Ab_i / 2$$

Where,

“ i ” is the i^{th} year of the Control Period;

RRB_i : Average Regulated Base for the i^{th} year of the Control Period;

ΔAb_i : Change in Capital Investment in the i^{th} year of the Control Period;

This component shall be arrived as follows:

$$\Delta Ab_i = Inv_i - D_i - CC_i - Ret_i$$

Where,

Inv_i : Investments projected to be capitalised during the year of the Control Period and approved,

D_i : Amount set aside or written off on account of Depreciation of fixed assets for the i^{th} year of the Control Period:

CC_i : Consumer Contributions, capital subsidy/grant pertaining to the ΔAB_i and capital grants/ subsidies received during i^{th} year of the Control Period for construction of service lines or creation of fixed assets;

Ret_i : Amount of fixed asset on account of Retirement/ Decapitalisation during i^{th} Year;

RRB_{i-1} : Closing Regulated Rate Base for the Financial Year preceding the i^{th} year of



the Control period. For the first year of the Control Period, Opening Regulated Rate Base i.e. RRB_0 shall be ZERO.

36.5 All components for the computation of Regulated Rate Base and related components under these Regulations shall be based on the Fixed Assets capitalized on or after April 01, 2024.

36.6 Return on Capital Employed (RoCE) for the year i th shall be computed in the following manner:

$$ROCE = WACC_i \times RRB_i$$

Where,

$WACC_i$ is the Weighted Average Cost of Capital for each year of the Control Period;

RRB_i is Average Regulated Rate Base for the i th year of the Control Period.

WACC for each year of the Control Period shall be computed in the following manner:

$$WACC = \left(\frac{D}{D+E}\right) \times r_d + \left(\frac{E}{D+E}\right) \times r_e$$

Where,

D is the amount of Debt derived at the time of capitalisation as per these Regulations for the Fixed Assets capitalized on or after April 01, 2024;

E is the amount of Equity derived at the time of capitalisation as per these Regulations for the Fixed Assets capitalized on or after April 01, 2024;

Where equity employed is in excess of 30% of the capital employed (after deduction of grant, consumer contribution, if any), the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as notional loan. The interest rate on excess equity shall be the weighted average rate of Interest on the actual loans for the regulated business of the Generating Station, Transmission Licensee, SLDC or Distribution Licensee, as the case may be, in accordance to Regulation 33 of these Regulations, for the respective years. Where actual equity employed is less than 30%, the actual equity and debt shall be considered;

r_d is the Cost of Debt (or Interest and Finance Charges) as determined in Regulation 33 of these Regulations:

r_e is the pre-tax rate of Return on Equity as determined in Regulation 35 of these Regulations

37 Depreciation

37.1 The value base for the purpose of depreciation shall be the Capital Cost of the asset



admitted by the Commission.

37.2 Generation Company or Transmission Licensee or SLDC or Distribution Licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective Business computed in the following manner:

- (a) approved original cost of the project/fixed assets shall be the value base for calculation of depreciation;
- (b) depreciation shall be computed annually based on the straight line method at the rates specified in the **Annexure I** to these Regulations;
- (c) Where the Emission Control System is implemented within the original scope of the generating station and the date of commercial operation of the generating station or unit thereof and the date of operation of the Emission Control System are the same, depreciation of the generating station or unit thereof including the Emission Control System shall be computed in accordance with Clauses (a) to (c) of this Regulation.
- (d) Depreciation of the Emission Control System of an existing or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on straight line method, with salvage value of 10%, over a period of —
 - i Twenty-five years, in case the generating station or unit thereof is in operation for fifteen years or less as on the date of operation of the emission control system; or
 - ii balance useful life of the generating station or unit thereof plus fifteen years, in case the generating station or unit thereof is in operation for more than fifteen years as on the date of operation of the emission control system; or
- (e) ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher, in case the generating station or unit thereof has completed its useful life.

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets:

Provided that the rate provided in **Annexure I**, are the upper ceiling of the rate of depreciation to be provided up to 12th year from the date of COD and Generating



Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling and the same will be considered for computation of normative loan as per Regulation 33 of these Regulations.

Provided further that for Generating Company or Transmission Licensee or SLDC or Distribution Licensee formed as a result of a Transfer Scheme, the depreciation on assets transferred under the Transfer Scheme shall be charged as per rates specified in these Regulations for a period of 12 years from the date of the Transfer Scheme, and thereafter depreciation will be spread over the balance useful life of the assets:

Provided also that the depreciation already charged after the date of the Transfer Scheme, shall not be restated:

Provided also that Generating Company or Transmission Licensee or SLDC or Distribution Licensee, shall submit all such details or documentary evidence, as may be required under these Regulations and as stipulated by the Commission, from time to time, to substantiate the above claims:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be, shall not be allowed to be recovered at a later stage during the useful life or the extended life.

- (f) The salvage value of the asset shall be considered at 10 per cent of the allowable capital cost and depreciation shall be allowed upto a maximum of 90 per cent of the allowable capital cost of the asset:

Provided that Generating Company or Transmission Licensee or SLDC or Distribution licensee shall submit certification from the Statutory Auditor for the capping of depreciation at ninety per cent of the allowable capital cost of the asset;

Provided also that salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

Provided that in case of hydro generating station, salvage value shall be as provided in the agreement, if any, signed by the developers with the State Government;

37.3 Land other than land held under lease and land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

37.4 In case of existing projects, the balance depreciable value as on April 01, 2024, shall



be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2024, from the gross value of the assets.

- 37.5 In case of projected commercial operation of the asset for part of the year, depreciation shall be calculated based on the average of opening and closing value of asset, approved by the Commission:

Provided that depreciation will be re-calculated during truing-up for assets capitalised at the time of Truing Up of each year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, subject to the prudence check of the Commission, such that the depreciation is calculated proportionately from the date of capitalisation.

- 37.6 Generation Company or Transmission Licensee or SLDC or Distribution Licensee shall submit the depreciation computations separately for assets added upto March 31, 2024 and assets added on or after April 01, 2024.

38 Interest on Working Capital

38.1 Generation:

- 38.1.1 In case of coal based/lignite-fired generating stations, working capital shall cover:

- (i) Cost of coal or lignite and limestone for 20 days month for pit-head generating stations and 30 days for non-pit-head generating stations, corresponding to target availability; plus
- (ii) Cost of secondary fuel oil for two (2) months corresponding to target availability; plus
- (iii) Normative Operation and Maintenance expenses for one (1) month; plus
- (iv) Maintenance spares at one (1) per cent of the opening Gross Fixed Assets; plus
- (v) Receivables for sale of electricity equivalent to one (1) month of the sum of annual fixed charges and energy charges calculated on target availability and excluding incentive, if any:

Provided further that for the purpose of truing-up, the working capital shall be computed based on the scheduled generation or target availability of the generating Station, whichever is lower:

Provided also that for the purpose of truing up, the working capital shall be computed based on the actual average stock of coal or lignite and limestone or normative stock of coal or lignite and limestone of the generating Station, whichever is lower:



Provided further 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 before sharing of gains and losses:

Provided further that in the event that availability by any thermal generating station is less than the Normative availability due to less coal stock maintained by the plant, the penalty shall be determined as per Regulation 57 of these Regulations.

38.1.2 In case of Emission Control System of coal or lignite based thermal generating stations, working capital shall be allowed to cover:

- (i) Cost of limestone or reagent towards stock for 20 days for generation corresponding to the target availability;
- (ii) Normative Operation and maintenance expenses in respect of emission control system for one month;
- (iii) Maintenance spares at one per cent of the opening Gross Fixed Assets in respect of emission control system.

38.1.3 In case of Gas Turbine/Combined Cycle generating stations, working capital shall cover:

- (i) Fuel cost for one (1) month corresponding to target availability factor, duly taking into account the mode of operation of the generating station on gas fuel and /or liquid fuel; plus
- (ii) Liquid fuel stock for fifteen (15) days corresponding to target availability; plus
- (iii) Operation and maintenance expenses for one (1) month; plus
- (iv) Maintenance spares at one (1) per cent of the opening Gross Fixed Assets; plus
- (v) Receivables equivalent to one (1) month of capacity charge and energy charge for sale of electricity equivalent calculated on normative plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel:

Provided that for the purpose of Truing-up, the working capital shall be computed based on the scheduled generation or target availability of the generating Station, whichever is lower:

Provided also that for the purpose of Truing up, the working capital shall be computed based on the actual average stock of gas / Naptha / Liquid Fuel, etc or normative stock of said fuel of the generating Station, whichever is lower:



Provided further 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 before sharing of gains and losses.

38.1.4 In case of hydro power generating stations, working capital shall cover:

- (i) Operation and maintenance expenses for one (1) month;
- (ii) Maintenance spares at one (1) per cent of the opening Gross Fixed Assets; and
- (iii) Receivables equivalent to one (1) month of fixed cost:

Provided further 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 before sharing of gains and losses;

38.2 **Transmission:**

38.2.1 The Transmission Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

- (i) Operation and maintenance expenses for one month; plus
- (ii) Maintenance spares at one (1) per cent of the opening Gross Fixed Assets; plus
- (iii) Receivables equivalent to one (1) month of transmission charges calculated on target availability level; minus
- (iv) Amount, if any, held as security deposits except the security deposits held in the form of Bank Guarantee from Transmission System Users:

Provided that at the time of truing up for any year, the working capital requirement shall be recalculated 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;

38.3 **SLDC**

38.3.1 The SLDC shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

- (i) Operation and maintenance expenses for one month; plus
- (ii) Maintenance spares at one (1) per cent of the Opening GFA cost related to SCADA and RTU; plus
- (iii) Receivables equivalent to 15 days of the expected revenue from SLDC Charges;

Provided that at the time of truing up for any year, the working capital requirement



shall be recalculated 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;

38.4 Distribution Wires Business

38.4.1 The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Wires Business for the financial year, computed as follows:

- (i) Operation and maintenance expenses for one month; plus
- (ii) Maintenance spares at one (1) per cent of the opening Gross Fixed Assets; plus
- (iii) Receivables equivalent to one (1) month of the expected revenue from charges for use of Distribution Wires at the prevailing tariffs; minus
- (iv) Amount, if any, held as security deposits under clause (b) of sub-section (1) of Section 47 of the Act from Distribution System Users except the 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 recalculated 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;

38.5 Retail Supply of Electricity

38.5.1 The Distribution Licensee shall be allowed interest on the estimated level of working capital for the financial year, computed as follows:

- (i) Operation and maintenance expenses for one month; plus
- (ii) Maintenance spares at one (1) per cent of the opening Gross Fixed Assets; plus
- (iii) Receivables equivalent to one (1) month of the expected revenue from sale of electricity at the prevailing tariffs; minus
- (iv) Average monthly collection from Prepaid Consumers; minus
- (v) Amount held as security deposits under clause (a) and clause (b) of sub-section (1) of Section 47 of the Act from consumers except the security deposits held in the form of Bank Guarantees:

Provided that for the purpose of Truing-up, the Receivables shall be computed based on the actual revenue from sale of electricity net of revenue from pre-paid consumers;

Provided further 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 before sharing of gains and losses.



38.6 **Rate of interest on Working Capital**

38.6.1 Interest on working capital shall be allowed at a rate equal to the one year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period, as applicable as on 1st April of the financial year in which the Petition is filed plus 150 basis points:

Provided that at the time of truing up for any year, interest on working capital shall be allowed at a rate equal to the weighted average of one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing during the financial year plus 150 basis points.

39 **Income Tax**

39.1 Income tax for Generating Company or Transmission Licensee or SLDC or Distribution Licensee for the regulated business shall be allowed on Return on Equity, including Additional Return on Equity through the tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulation 35 and 36 of these Regulations:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

Provided also that the Income Tax shall be computed for the Generating Company as a whole, and not Unit-wise/Station-wise:

Provided also that the deferred tax liability attributable to the regulated business, only before March 31, 2024 shall be allowed by the Commission, whenever they get materialised, after prudence check.

39.2 The rate of Return on Equity, shall be equal to the base rate of Return on Equity and additional rate of Return on Equity as allowed by the Commission under Regulation 35 of these Regulations, which shall be grossed up with the effective tax rate of respective financial year.

Provided that the rate of return on equity shall be grossed up with the effective tax rate on the basis of actual tax paid on the Book profit, in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned the Generating



Company or Transmission Licensee or SLDC or Distribution licensee, as the case may be.

- 39.3 Rate of pre-tax Return on Equity shall be rounded off to three decimal places and shall be computed as per the formula given below:

Rate of pre-tax return on equity = Rate of Return on Equity / (1-t),

Where “t” is the effective tax rate is calculated on the basis of actual income tax paid latest available Assessment Order issued by income tax authority under provisions of Income tax Act 1961, as amended from time to time.

Provided that in case of Generating Company or Transmission Licensee or SLDC or Distribution licensee has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other regulated or unregulated Business or Other Business shall be excluded in proportion to the income from the said business for the calculation of effective tax rate:

Provided further that effective tax rate shall be estimated for future year based on latest available Assessment Order issued by income tax authority under provisions of Income tax Act 1961, as amended from time to time, subject to prudence check.

- 39.4 In case of Generating Company or Transmission Licensee or SLDC or Distribution licensee paying Minimum Alternate Tax (MAT), “t” shall be considered as MAT rate including surcharge and cess:

Illustration:-

- (a) In case of a Generating Company or Licensee or SLDC paying Minimum Alternate Tax (MAT) at rate of 17.472% including surcharge and cess:

Rate of return on equity = $14 / (1 - 0.17472) = 16.964\%$

- (b) In case of Generating Company or Licensee or SLDC paying normal corporate tax including surcharge and cess:

- (i) Net Income of Company before deduction under section 80 of income tax act 1961, as a whole for FY 2024-25 is Rs. 500 Crore;
- (ii) Income Tax for the year on above is Rs. 110 Crore;
- (iii) Effective Tax Rate for the FY 2024-25 = Rs 110 Crore/Rs 500 Crore = 22%;
- (iv) Rate of return on equity = $14 / (1 - 0.22) = 17.949\%$.

- (c) In case of Generating Company or Licensee or SLDC has incurred loss resulting in no Income tax, the effective tax rate will be zero and only Rate of Return on Equity as approved by the Commission will allowed to be claimed in ARR:



- (i) Net Loss of Company before deduction under section 80 of income tax act 1961, as a whole for FY 2024-25 is Rs. 150 Crore;
- (ii) Income Tax for the year on above will be ZERO.
- (iii) Effective Tax Rate for the FY 2024-25 = Rs 0 Crore/ Rs. (150 Crore) = 0%;
- (iv) Rate of return on equity = $14 / (1 - 0.00) = 14\%$.

Provided that if the effective tax rate is lower than the Minimum Alternate Tax or Corporate Tax Rate, then the same will be considered for grossing up the rate of return on equity.

Provided that in case the actual income tax paid including Cess and Surcharge, is lower than the difference between Pre-Tax Return on Equity and Post-Tax Return on Equity (Base Rate of Return on Equity Plus Additional Rate of Return on Equity), then the actual income tax paid will be considered as a pass through.

- 39.5 Under-recovery or over-recovery of any amount from the beneficiaries or the consumers on account of such tax having been passed on to them shall be adjusted every year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors. Generating Company, or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, may include this variation in its truing up petition.
- 39.6 Penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be.

40 Rebate

- 40.1 For payment of bills of generation tariff or transmission charges through Letter of Credit or otherwise, within 7 days of presentation of bills, by the Generating Company or the Transmission Licensee, as the case may be, a rebate of 1% on billed amount, excluding the taxes, cess, duties, etc., shall be allowed.

Explanation: In case of computation of '7 days', the number of days shall be counted consecutively without considering any holiday. However, in case the last day or 7th day is official holiday, the 7th day for the purpose of Rebate shall be construed as the immediate succeeding working day.

- 40.2 Such rebate earned by the Distribution Licensee shall be adjusted from the power purchase cost of the Distribution Licensee.
- 40.3 Such rebate given by the Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC to the beneficiary shall not be allowed as an expense



for the Generating Company or the Transmission Licensee or the Distribution Licensee or SLDC, as the case may be.

- 40.4 Penalties paid, if any, by the Generating Company or Licensee shall not be allowed as an expense for the Generating Company or Licensee.

41 Delayed Payment Surcharge

- 41.1 In case the payment of bills of Generation Tariff or Transmission Charges or SLDC Fees and Charges by the Beneficiary is delayed beyond the due date, Delayed Payment Charge at the Base Rate of Delayed Payment Charge shall be payable on the payment outstanding for the first month of default, notwithstanding anything to the contrary as may have been stipulated in the Agreement or Arrangement with the Beneficiaries:

Provided that the 'Base Rate of Delayed Payment Charge' shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India, as applicable on the 1st April of the financial year in which the period lies, plus five percent and in the absence of MCLR, any other rate as specified by the Commission from time to time:

Provided further that if the period of default lies in two or more financial years, the aforementioned 'Base Rate of Delayed Payment Charge' shall be calculated separately for the periods falling in different years:

Provided that the rate of Delayed Payment Charge for the successive months of default shall increase by 0.5 percent for every month of delay subject to the condition that the Delayed Payment Charge shall not be more than three percent higher than the aforementioned 'Base Rate of Delayed Payment Charges' at any time:

Provided further that the rate at which Delayed Payment Charge shall be payable, shall not be higher than the rate of Late Payment Surcharge specified in the Agreement, if any.

- 41.2 All payments by a Distribution Licensee to a Generating Company for power procured from it or by a user of a transmission system to a Transmission Licensee shall be first adjusted towards Delayed Payment Charge and thereafter, towards monthly charges, starting from the longest overdue bill.

- 41.2.1 In case the Distribution Licensee has communicated, in writing, to the Generating Company or Transmission Licensee, as the case may be, the outstanding dues and number of installments in which, the outstanding dues would be paid, within thirty days of the notification of the Late Payment Surcharge Rules, 2022, the following conditions shall be applicable:



- (a) The Distribution Licensee may make payment in a month more than the equated monthly installment for the month;
 - (b) The payment of installment shall be done to all the concerned Generating Companies and Transmission Licensees, as the case may be, on pro-rata basis, depending upon the proportion of their individual outstanding dues.
- 41.2.2 Notwithstanding anything contained in Regulation 41.1 above, if the Distribution Licensee agrees to payment of the arrears dues as per the instalment fixed under the Late Payment Surcharge Rules, 2022, and makes timely payment of these instalments, then the Delayed Payment Charge shall not be payable on the outstanding dues.
- 41.2.3 In case of delay in payment of an instalment under Regulation 41.2.1 above, Delayed Payment Charge shall be payable on the entire outstanding dues as on the date of notification of the Late Payment Surcharge Rules, 2022.
- 41.3 All the bills payable by a Distribution Licensee to a Generating Company or a Transmission Company shall be time tagged with respect to the date and time of submission of the bill and the payment made by the Distribution Licensee shall be adjusted first against the oldest bill and then to the second oldest bill and so on, so as to ensure that payment against a bill is not adjusted unless and until all bills older than it have been paid for:
- Provided that any adjustment towards Delayed Payment Charge shall be done in the manner as specified in Regulation 41.2.1 above.
- Provided that such Delayed Payment Charge and Interest on Delayed Payment earned by the Generating Company or the Licensee or SLDC shall not be considered under its Non-Tariff Income.
- Provided further that such Delayed Payment Charge paid or payable by the Distribution Licensee to the Generating Company or the Transmission Licensee or SLDC shall not be allowed as an expense for such Distribution Licensee.
- 41.4 Late payment surcharge for the retail consumer shall be recoverable as per the terms mentioned in the respective Tariff Orders for the Distribution Licensees.

42 Foreign Exchange Rate Variation

- 42.1 The Generating Company or the Transmission Licensee or SLDC or the Distribution 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 generating station or the transmission system or distribution system, in part or full, at



the discretion of the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee.

- 42.2 Every Generating Company and Transmission Licensee and SLDC and Distribution Licensee shall recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt or the imported fuel cost (by Generating Company), in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.
- 42.3 To the extent the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee or its suppliers or contractors.
- 42.4 Any gains or losses on account of foreign exchange rate variation pertaining to the loan amount availed during the construction period shall form part of the capital cost.

43 Recovery of cost of hedging Foreign Exchange Rate Variation

- 43.1 Every Generating Company and the Transmission Licensee and the SLDC and the Distribution Licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.



CHAPTER 4: GENERATION

44 Applicability

44.1 The Regulations specified in this Chapter shall apply to the determination of Tariff for supply of electricity to a Distribution Licensee from conventional sources of generation and hydro generating stations of capacity exceeding 25 MW in the State of Gujarat, whose Tariff is being determined in by the Commission under Section 62 of the Act:

Provided that determination of tariff for supply of electricity to a Distribution Licensee from Renewable Energy sources of generation shall be in accordance with terms and conditions as stipulated in the relevant Regulations/Orders of the Commission.

44.2 The Commission shall be guided by the Regulations contained in this Chapter in determining the tariff for supply of electricity by a Generating Company to a Distribution Licensee in the following cases:

(a) where such tariff is pursuant to a power purchase agreement or arrangement entered into subsequent to the date of effectiveness of these Regulations; or

(b) where such tariff is pursuant to a power purchase agreement or arrangement entered into prior to date of effectiveness of these Regulations and either the Commission has not previously approved such agreement/ arrangement or the agreement/ arrangement envisages that the tariff shall be based on the GERC Tariff Regulations; or

(c) where the Distribution Licensee is engaged in the business of generation of electricity, in determining the transfer price at which electricity is supplied by the Generation Business of the Distribution Licensee to its Retail Supply Business:

Provided that the Commission may deviate from the norms contained in this Chapter or specify alternative norms for particular cases, where it so deems appropriate, having regard to the circumstances of the case:

Provided further that the reasons for such deviation(s) shall be recorded in writing.

44.3 Notwithstanding anything contained in this **Chapter 4**, the Commission shall adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government.

45 Petition for determination of generation tariff

45.1 A Generating Company is required to file a Petition for determination of tariff for supply of electricity to Distribution Licensees in accordance with the provisions of **Chapter 2** of these Regulations.



- 45.2 Tariff in respect of a Generating Station under these Regulations may be determined Stage-wise, Unit wise or for the whole Generating Station.
- Provided that the terms and conditions for determination of tariff for Generating Stations specified in this Part shall apply in like manner to Stages or Units, as the case may be, as to Generating Stations.
- 45.3 Where the tariff is being determined for Stage or Generating Unit of a Generating Station, Generating Company shall adopt a reasonable basis for allocation of capital cost relating to common facilities and allocation of joint and common costs across all Stages or Generating Units, as the case may be:
- Provided that Generation Company shall maintain an allocation statement providing the basis for allocation of such costs, which shall be duly audited and certified by the statutory auditors and submit such audited and certified statement to the Commission along with the application for determination of tariff.
- 45.4 In case of existing projects, the Commission may allow Generation Company, the tariff based on the approved capital cost as on the April 01, 2024 and projected additional capital expenditure for the ensuing financial years:
- Provided that Generation Company shall continue to bill the beneficiaries at the tariff approved by the Commission and applicable as on March 31, 2023 for the period starting from April 01, 2024 till approval of tariff by the Commission in accordance with these Regulations.
- 45.5 Generation Company shall file the application for determination of provisional tariff for new Generating Station, sixty days prior to the anticipated date of commercial operation of Generating Unit or Stage or Generating Station as a whole, as the case may be.
- 45.6 Generation Company shall make an application for determination of tariff based on capital expenditure incurred or projected to be incurred up to the date of commercial operation and additional capital expenditure incurred, duly certified by the statutory auditors:
- Provided that the application shall contain details of underlying assumptions for the projected capital cost and additional capital cost, wherever applicable.
- 45.7 In the case of new projects, Generation Company may be allowed provisional tariff by the Commission from the anticipated date of commercial operation, based on the projected capital expenditure, subject to prudence check.
- 45.8 If the date of commercial operation is delayed beyond sixty days from the date of issue



of tariff order, the tariff granted shall be deemed to have been withdrawn and Generation Company shall be required to file after the date of commercial operation of the project, afresh application for determination of tariff.

- 45.9 Generation Company shall file the application for determination of final tariff for new Generating Station within sixty days from the date of commercial operation of Generating Unit or Stage or Generating Station as a whole, as the case may be, based on the audited capital expenditure and capitalisation as on the date of commercial operation.
- 45.10 Truing up of the capital cost for the new Generating Station shall be done by the Commission based on prudence check of the audited capital expenditure and capitalisation as on the date of commercial operation.
- 45.11 Where the actual capital cost incurred on year to year basis is lesser than the capital cost approved for determination of tariff by the Commission on the basis of the projected capital cost as on the date of commercial operation or on the basis of the projected additional capital cost, by five percent or more, Generation Company shall refund to the beneficiaries as approved by the Commission, the excess tariff realised corresponding to excess capital cost, along with interest at 1.20 times of the one year SBI MCLR rate or any replacement thereof by SBI from time to time being in effect applicable for one year period, as applicable plus 150 basis points, as prevalent on the first day of April of the respective financial year.
- 45.12 Where the actual capital cost incurred on year to year basis is higher than the capital cost approved for determination of tariff by the Commission on the basis of the projected capital cost as on the date of commercial operation or on the basis of the projected additional capital cost, by five percent or more, Generation Company shall, subject to the approval of the Commission, be entitled to recover from the beneficiaries the shortfall in tariff corresponding to such decrease in capital cost along with interest at 0.80 times of the one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for one year period, as applicable plus 150 basis points, as prevalent on the first day of April of the respective financial year.
- 45.13 In relation to multi-purpose hydroelectric Projects, with irrigation, flood control and power components, the capital cost chargeable to the power component of the Project only shall be considered for determination of tariff.

46 Capital Investment Plan

- 46.1 Generating company shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for capacity growth, replacement of assets, renovation and/ modernization, meeting the environment



norms, etc., to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period:

Provided that the Capital Investment Plan shall be submitted for each year of the Control Period as specified in **Chapter 2** of these Regulations:

- 46.2 Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value as specified in Guidelines for in-principle clearance of proposed investment schemes as provided in **Annexure III** of these Regulations or such other amount as may be stipulated by the Commission from time to time, and shall be in such form as may be stipulated.
- 46.3 Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the energy charges and capacity charges of the Generating Station.
- 46.4 Generating company shall submit, along with the Petition for determination of Aggregate Revenue Requirement on each year of the control period, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.
- 46.5 Generating company shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register (FAR) for allowance of the capitalization of the same by the Commission.

Provided that regarding the Assets already capitalized as on April 01, 2024, the Generating company shall prepare and submit to the Commission a time-bound plan to undertake the geo-tagging in phased manner, preferably within the Control Period, along with the MYT Petition.

Provided further that the Generating company must provide access of the details of geo-tagging to the Commission for online monitoring.

47 Fuel Utilization Plan

- 47.1 The Generating Company shall prepare and submit Fuel Utilization Plan for the Control Period commencing on April 01, 2024, along with the Petition for determination of Tariff for the Control Period from April 01, 2024 to March 31, 2029, in accordance with the provisions **Chapter 2** of these Regulations, to the Commission for approval.
- 47.2 The Fuel Utilization Plan should ensure that fuel quantum is allocated to different



generating Stations/Units in accordance with the merit order of different generation Stations/Units in terms of variable cost:

Provided that the fuel allocation should be such that, subject to system and other constraints, the least cost generating Stations/Units are operated at maximum availability and other generating Stations/Units are operated at maximum availability thereafter in the ascending order of variable cost

47.3 The Fuel Utilization Plan shall comprise the following:

- (a) Forecast of fuel requirement for each unit/station;
- (b) Details of contracted source, annual contracted quantity, estimated availability from contracted sources and resultant shortage of fuel, if any, for each unit/station;
- (c) Use of optimum mix of fuel;
- (d) Alternate arrangement for meeting shortage of fuel along with impact on variable cost of unit/station;
- (e) Plan for swapping of fuel source for optimising the cost, if any, along with detailed justification and cost savings;
- (f) Net cost savings in variable cost of each unit, if any, after optimum utilization of Fuel:

Provided that the forecast or estimates shall be prepared for each month over the Control Period:

Provided further that Fuel Utilization Plan shall be prepared based on past data and reasonable assumptions for future.

47.4 The beneficiary/ies shall file comments/suggestions on such plan during proceedings of Tariff Petition as per Regulation 22 of these Regulations.

47.5 Annual Fuel Utilization plan shall be submitted by the Generating Company each year during the tariff proceedings for the review of the Commission along with the justification for any deviation between the approved fuel utilization plan and actual fuel utilization along with the cost impact from FY 2024-25 onwards.

Provided that a Generating Company may, as a result of additional information not previously known or available to it at the time of submission of the Fuel Utilization Plan under Regulation 47.1 of these Regulations, apply for modification in the Fuel Utilization Plan, during filing of the petition in the remaining part of the Control Period.

Provided further that at the time of review of the Annual Fuel Utilization Plan, the Commission may, as a result of additional information not previously known or



available to the Commission at the time of approval of the Fuel Utilization Plan under Regulation 47.1 of these Regulations, if it deems appropriate, modify the Annual Fuel Utilization Plan for the remainder of the Control Period, at the time of annual tariff proceedings.

48 Components of Tariff

- 48.1 The tariff for sale of electricity from a thermal Power Generating Station shall comprise of two parts, namely, the Annual Capacity Charges (for recovery of Fixed Charges) and Energy Charges (for recovery of primary and secondary fuel cost).
- 48.2 The tariff for sale of electricity from a Hydro Generating Station shall comprise of two parts, namely, the Capacity Charge and Energy Charge to be derived in the manner specified for recovery of Annual Fixed Cost.

49 Annual Capacity Charges

- 49.1 The Annual Capacity Charges shall comprise of the following elements:
- (i) Depreciation;
 - (ii) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed;
 - (iii) Interest on Working Capital;
 - (iv) Operation & Maintenance Expenses;
 - (v) Income Tax
 - (vi) Special allowance in lieu of renovation & modernisation, wherever applicable;
 - (vii) SLDC Fees and Charges minus:
 - (viii) Non-Tariff Income:

Provided that depreciation, interest and finance charges on loan capital & return on equity and/or return on capital employed and interest on working capital and income tax for Thermal and Hydro Generating Stations shall be allowed in accordance with the provisions specified in **Chapter 3** of these Regulations:

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

Provided also that all penalties and compensation payable by the Generating Company to any party for failure to comply with any directions or for damages, as a consequence of the orders of the Commission shall not be allowed to be recovered



through the Aggregate Revenue Requirement whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations.

50 Renovation & Modernisation

- 50.1 Generating Company, for meeting the expenditure on renovation and modernization for the purpose of extension of life beyond the useful life of the generating station or a unit thereof, shall file 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, record of consultation with beneficiaries, consent received from the beneficiaries and any other information considered to be relevant by Generating Company.
- 50.2 Where Generating Company files an application for approval of its proposal for renovation and modernisation, the approval shall be granted after due consideration of reasonableness of the cost estimates, schedule of completion, use of efficient technology, cost-benefit analysis, expected duration of life extension, consent of the beneficiaries or long-term customers, if obtained, and such other factors as may be considered relevant by the Commission.
- 50.3 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 renovation and modernization 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 renovation and modernization expenditure to be allowed.
- 50.4 Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on the estimates of renovation and modernisation 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.
- 50.5 In case of coal-based/lignite fired thermal generating stations, the Generating Company, instead of availing renovation and modernization may opt to avail a 'special allowance' in accordance with the norms specified in this Regulation, as compensation



for meeting the requirement of expenses including renovation and modernisation beyond the useful life of the generating station or a unit thereof and in such an event, upward revision of the capital cost shall not be allowed and the applicable operational norms shall not be relaxed but the Special Allowance shall be included in the annual fixed cost:

Provided that such option shall not be available for a generating station or unit thereof for which renovation and modernization has been undertaken and the expenditure has been admitted by the Commission before commencement of these regulations, or for a generating station or unit which is in a depleted condition or operating under relaxed operational and performance norms.

50.6 Special Allowance shall be @ Rs. 11.00 lakh/MW/year for the entire control period.

Provided that in respect of a unit in commercial operation for more than 25 years as on April 01, 2024, this allowance shall be admissible from the year 2024-25:

Provided further that the special allowance for the generating station, which, in its discretion, has already availed of a 'special allowance' in accordance with the norms specified in Regulation 50.6 of the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016, shall continue to be allowed Special Allowance in accordance with Regulation 50.6 of these Regulations, every year during the Control Period.

50.7 In the event of granting special allowance by the Commission, the expenditure incurred or utilized from special allowance shall be maintained separately by the generating station and details of same shall be made available to the Commission as and when directed to furnish details of such expenditure.

51 Sale of Infirm Power

51.1 The supply of Infirm Power shall be accounted as deviation / Unscheduled Interchange and shall be paid at Charges for Deviation for Infirm Power in accordance with the relevant Regulations notified by the Commission:

Provided that any revenue earned by the Generating Company from supply of Infirm Power after accounting for the fuel cost shall be used for reduction in Capital Cost and shall not be treated as revenue.

52 Non-Tariff Income

52.1 The amount of Non-Tariff Income relating to the Generation Business as approved by the Commission shall be deducted from the Annual Fixed Cost in determining the Annual Capacity Charge of Generation Company:



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

52.2 The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- (a) Income from rent of land or buildings;
- (b) Income from sale of scrap;
- (c) Income from statutory investments;
- (d) Income from sale of Ash/rejected coal;
- (e) Interest on advances to suppliers/contractors;
- (f) Rental from staff quarters;
- (g) Rental from contractors;
- (h) Income from hire charges from contactors and others;
- (i) Income from Insurance claim receipt;
- (j) Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- (k) Income from advertisements, sale of tender, etc;
- (l) Excess found on physical verification;
- (m) Interest on investments, fixed and call deposits and bank balances;
- (n) Prior period income,
- (o) Supervisory charges for contractual works;
- (p) Any Other Non-Tariff Income

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the regulated business of the Generating Company shall not be included in Non-Tariff Income.

53 Norms of operation for Thermal Generating Stations

53.1 Normative Annual Plant Availability Factor and Plant Load Factor:

53.1.1 Normative Annual Plant Availability Factor for full recovery of Annual Capacity Charges for the following stations shall be:

Table 1: Normative Annual Plant Availability Factor for GSECL Generating Stations



Station	Target Availability (%)
Ukai TPS (Unit 3 - 5)	80
Kutch Lignite TPS (Unit 3)	72
Kutch Lignite TPS (Unit 4)	72

Provided that the Commission may revise the norms for Availability for the above mentioned Generating Stations in case of renovation & modernisation undertaken by the Generating Station.

53.1.2 Normative Annual Plant Availability Factor for full recovery of Annual Capacity Charges for all other thermal generating stations, except those covered under Regulation 53.1.1 shall be 85 per cent.

53.2 Gross Station Heat Rate – For existing Generating Stations:

53.2.1 Thermal Generating Stations of Gujarat State Electricity Generation Company Limited (GSECL):

Table 2: Gross Station Heat Rate for GSECL Stations for the Control Period

(in kcal/kWh)

Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Ukai (3-5)	2572	2572	2572	2572	2572
Gandhinagar (3-4)	2545	2545	2545	2545	2545
Gandhinagar 5	2460	2460	2460	2460	2460
Wanakbori 1-6 TPS	2556	2556	2556	2556	2556
Wanakbori 7	2460	2460	2460	2460	2460
Sikka Extension (3-4)*	2398	2398	2398	2398	2398
KLTPS 3	3231	3231	3231	3231	3231
KLTPS 4	3000	3000	3000	3000	3000
BLTPS	2623	2623	2623	2623	2623
Dhuvaran CCPP 1	1950	1950	1950	1950	1950
Dhuvaran CCPP 2	2138	2138	2138	2138	2138
Dhuvaran CCPP 3	1850	1850	1850	1850	1850
Utran Extension*	1850	1850	1850	1850	1850
Ukai 6	2385	2385	2385	2385	2385
Wanakbori 8 TPS	2248	2248	2248	2248	2248

Provided that the Commission may revise the norms for the Gross Station Heat Rate for



the above mentioned Generating Stations in case of renovation & modernisation undertaken by the Generating Station;

53.2.2 Thermal Generating Units of Torrent Power Limited -Generation Business (TPL-G):

Table 3: Gross Station Heat Rate for TPL-G Stations for the Control Period

(in kcal/kWh)

Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Sabarmati 'D'	2440	2440	2440	2440	2440
Sabarmati 'E'	2438	2438	2438	2438	2438
Sabarmati 'F'	2420	2420	2420	2420	2420

Provided that the Commission may revise the norms for the heat rate for the above mentioned Generating Stations in case of renovation & modernisation undertaken by the Generating Station;

53.2.3 Gross Station Heat Rate – For new Generating Units or stations achieving COD after the 1.4.2016:

(i) Coal-based and lignite-fired Thermal Generating Stations

$$= 1.05 \times \text{Design Heat Rate (kcal/kWh)}$$

Where the Design Heat Rate of a generating 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:

Pressure Rating (Kg/cm ²)	150	170	170
SHT/RHT (0C)	535/535	537/537	537/565
Type of BFP	Electrical Driven	Turbine Driven	Turbine Driven
Max Turbine Heat Rate (kcal/kWh)	1955	1950	1935
Min. Boiler Efficiency			
Sub-Bituminous Indian Coal	0.86	0.86	0.86
Bituminous Imported Coal	0.89	0.89	0.89
Maximum Design Unit Heat Rate (kcal/kWh)			



Pressure Rating (Kg/cm2)	150	170	170
Sub-Bituminous Indian Coal	2273	2267	2250
Bituminous Imported Coal	2197	2191	2174

Pressure Rating (Kg/cm2)	247	247	270	270
SHT/RHT (OC)	537/565	565/593	593/593	600/600
Type of BFP	Turbine Driven	Turbine Driven	Turbine Driven	Turbine Driven
Max Turbine Heat Rate (kcal/kWh)	1900	1850	1810	1800
Min. Boiler Efficiency				
Sub-Bituminous Indian Coal	0.86	0.86	0.865	0.865
Bituminous Imported Coal	0.89	0.89	0.895	0.895
Maximum Design Unit Heat Rate (kcal/kWh)				
Sub-Bituminous Indian Coal	2222	2151	2105	2081
Bituminous Imported Coal	2135	2078	2034	2022

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:

Provided also that where the boiler efficiency is below 86% for Sub-bituminous Indian coal and 89% for bituminous imported coal, the same shall be considered as 86% and 89% respectively for Sub-bituminous Indian coal and bituminous imported coal for computation of station heat rate:

Provided also that maximum turbine cycle heat rate shall be adjusted for type of dry cooling system:

Provided also that in case of lignite-fired generating stations (including stations based on CFBC technology), maximum design heat rates shall be increased using the multiplying factors for moisture content as given below:



- (a) For lignite having 50% moisture: 1.10
- (b) For lignite having 40% moisture: 1.07
- (c) For lignite having 30% moisture: 1.04
- (d) For other values of moisture content, multiplying factor shall be pro-rated for moisture content between 30-40% and 40-50% depending upon the rated values of multiplying factor for the respective range given under sub-clauses (a) to (c) above.

Provided also that for Generating stations based on coal rejects, the Commission will approve the Design Heat Rate on case-to-case basis.

Note: In respect of generating 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 BFP.

(ii) Gas-based/Liquid-based Thermal Generating Unit(s):

= 1.050 x Design Heat Rate of the Unit/Block for Natural Gas and RLNG (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 shall mean the guaranteed heat rate for a Unit at 100% MCR and at site ambient conditions; and the Design Heat Rate of a block shall mean the guaranteed heat rate for a block at 100% MCR, site ambient conditions, zero percent make up, design cooling water temperature/back pressure.

53.3 Secondary fuel oil consumption (SFC):

53.3.1 SFC norm for following GSECL stations, shall be as under:

Table 4: SFC (ml/kWh) for GSECL generating stations for the Control Period

Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Ukai (3-5)	1.00	1.00	1.00	1.00	1.00
Gandhinagar (3-4)	1.50	1.50	1.50	1.50	1.50
Gandhinagar 5	3.50	3.50	3.50	3.50	3.50
Wanakbori 1-6 TPS	1.00	1.00	1.00	1.00	1.00
Wanakbori 7	3.50	3.50	3.50	3.50	3.50
Sikka Extension (3-4)	1.00	1.00	1.00	1.00	1.00
KLTPS 3	3.00	3.00	3.00	3.00	3.00
KLTPS 4	3.00	3.00	3.00	3.00	3.00



Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
BLTPS	1.00	1.00	1.00	1.00	1.00
Ukai 6	1.00	1.00	1.00	1.00	1.00
Wanakbori 8 TPS	0.50	0.50	0.50	0.50	0.50

53.3.2 SFC norm for following TPL-G station, shall be as under:

Table 5: SFC (ml/kWh) for the Control Period for TPL-G Stations

Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Sabarmati 'D', 'E', and 'F'	1.00	1.00	1.00	1.00	1.00

Provided that the Commission may revise the norms for the secondary fuel oil consumption for the above mentioned Generating Stations in case of renovation & modernisation undertaken by the Generating Station.

53.3.3 SFC for all thermal generating Units/Stations, except those covered under Regulation 53.3.1 and Regulation 53.3.2 shall be as under:

- (i) Coal-based generating stations: 0.50 ml/kWh;
- (ii) Lignite-Fired generating stations having CFBC technology: 1.00 ml/kWh
- (iii) Lignite-Fired generating stations other than having CFBC technology: 2.00 ml/kWh

53.4 **Lime Stone consumption:**

53.4.1 Lime Stone consumption for Lignite based stations: 0.05 kg/ kWh.

53.5 **Auxiliary Energy Consumption:**

53.5.1 Existing generating stations of GSECL:

Table 6: Auxiliary Consumption (%) for GSECL Stations for the Control Period:

Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Ukai (3-5)	9.00%	9.00%	9.00%	9.00%	9.00%
Gandhinagar (3-4)	9.00%	9.00%	9.00%	9.00%	9.00%
Gandhinagar 5	9.50%	9.50%	9.50%	9.50%	9.50%
Wanakbori 1-6 TPS	9.00%	9.00%	9.00%	9.00%	9.00%
Wanakbori 7	9.50%	9.50%	9.50%	9.50%	9.50%
Sikka Extension (3-4)	9.00%	9.00%	9.00%	9.00%	9.00%
KLTPS 3	12.00%	12.00%	12.00%	12.00%	12.00%



Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
KLTPS 4	12.00%	12.00%	12.00%	12.00%	12.00%
BLTPS	11.00%	11.00%	11.00%	11.00%	11.00%
Dhuvaran CCPP 1	4.00%	4.00%	4.00%	4.00%	4.00%
Dhuvaran CCPP 2	3.00%	3.00%	3.00%	3.00%	3.00%
Dhuvaran CCPP 3	3.00%	3.00%	3.00%	3.00%	3.00%
Utran Extension	3.00%	3.00%	3.00%	3.00%	3.00%
Ukai 6	6.00%	6.00%	6.00%	6.00%	6.00%
Wanakbori 8 TPS	5.25%	5.25%	5.25%	5.25%	5.25%
Ukai Hydro	0.60%	0.60%	0.60%	0.60%	0.60%
Kadana Hydro	1.00%	1.00%	1.00%	1.00%	1.00%

53.5.2 Existing generating stations of TPL-G:

Table 7: Auxiliary Energy consumption (%) for TPL-G Station for the Control Period

Stations	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
Sabarmati 'D' and 'E'	8.50	8.50	8.50	8.50	8.50
Sabarmati 'F'	9.00	9.00	9.00	9.00	9.00

Provided that the Commission may revise the norms for the auxiliary energy consumption for the above mentioned Generating Stations in case of renovation & modernisation undertaken by the Generating Station.

53.5.3 New Coal-based Generating Stations:

Table 8: Auxiliary Energy Consumption (%) for new coal-based generating station

Auxiliary Energy Consumption	With Natural Draft cooling tower or without cooling tower
(i) 200 MW series	8.50%
(ii) 250/330/350/500 MW & above	
Steam driven boiler feed pumps	5.75%
Electrically driven boiler feed pumps	8.00%

Provided that for thermal generating stations with induced draft cooling towers and where tube type coal mill is used, the norms shall be further increased by 0.5% and 0.8% respectively.

Provided further that Additional Auxiliary Energy Consumption as follows shall be allowed for plants with Dry Cooling Systems



Table 9: Additional Auxiliary Energy Consumption for thermal generating stations with dry cooling systems

S. No.	Type of Dry Cooling System	(% of gross generation)
(i)	Direct cooling air cooled condensers with mechanical draft fans	1.0%
(ii)	Indirect cooling system employing jet condensers with pressure recovery turbine and natural draft tower	0.5%

53.5.4 Auxiliary Energy Consumption (AUXe) on account of emission control system of thermal generating stations:

Table 10: Auxiliary Energy Consumption (AUXe) on account of emission control system of thermal generating stations

Name of Technology	AUXen (as % of gross generation)
(1) For reduction of emission of sulphur dioxide:	
a) Wet Limestone based FGD system (without Gas to Gas heater)	1.0%
b) Lime Spray Dryer or Semi dry FGD System	1.0%
Dry Sorbent Injection System (using Sodium bicarbonate)	NIL
For CFBC Power plant (furnace injection)	NIL
Sea Water based FGD system (without Gas to Gas heater)	0.7%
(2) For reduction of emission of oxide of nitrogen :	
a) Selective Non-Catalytic Reduction system	NIL
b) Selective Catalytic Reduction system	0.2%

Provided that where the technology is installed with Gas to Gas heater, auxiliary energy consumption specified as above shall be increased by 0.3% of gross generation.

53.5.5 Gas Turbine/Combined Cycle generating stations:

Existing Generating Stations

(i) Combined cycle : 3.00%;



- (ii) Open cycle : 1.00%;

New Generating Stations

- (i) Combined cycle : 2.75%;
- (ii) Open cycle : 1.00%;

Provided that where the gas based generating station is using electric motor driven Gas Booster Compressor, the Auxiliary Energy Consumption in case of Combine Cycle mode shall be 3.30% (including impact of air-cooled condensers for Steam Turbine Generators):

Provided further that an additional Auxiliary Energy Consumption of 0.35% shall be allowed for Combine Cycle Generating Stations having direct cooling air cooled condensers with mechanical draft fans

53.5.6 New lignite-fired thermal generating stations:

- (i) All generating stations with below 200 MW sets: 12%
- (ii) All generating stations with 200 MW sets and above : 0.50% more than that allowed for coal based generating stations under Table 6 above:

Provided that for the lignite fired stations using CFBC technology, the auxiliary energy consumption norms shall be 1.50% more than the auxiliary energy consumption norms of coal based generating stations as specified above.

53.6 **Norms for consumption of reagent:**

53.6.1 The normative consumption of specific reagent for various technologies for reduction of emission of sulphur dioxide shall be as below:

1. **For Wet Limestone based Flue Gas De-sulphurisation (FGD) system:** The specific limestone consumption (g/kWh) shall be worked out by following formula:

$$[0.85 \times K \times \text{SHR} \times S] / [\text{CVPF} \times \text{LP}]$$

Where,

S = Sulphur content in percentage,

LP = Limestone Purity in percentage,

GHR= Gross station heat rate, in kCal per kWh;

CVPF=



- (a) Weighted Average Gross calorific value of coal as received, in kcal per kg for coal-based stations less actual stacking losses in calorific value of coal on account of variation during storage at generating station;

Provided that the actual stacking losses shall be subjected to the maximum stacking loss of 85 kCal/kg for pithead stations and 105 kCal/kg for non-pithead stations.

- (b) Weighted Average Gross calorific value of primary fuel as received, in kcal per kg, per litre or per standard cubic meter, as applicable for lignite based stations.
- (c) In case of blending of fuel from different sources, the weighted average Gross calorific value of primary fuel shall be arrived in proportion to blending ratio.

Provided that value of K shall be equivalent to $(35.2 \times \text{Design SO}_2 \text{ Removal Efficiency}/96\%)$ for units to comply with SO₂ emission norm of 100/200 mg/Nm³ or $(26.8 \times \text{Design SO}_2 \text{ Removal Efficiency}/73\%)$ for units to comply with SO₂ emission norm of 600 mg/Nm³;

Provided further that the limestone purity shall not be less than 85%.

2. **For Lime Spray Dryer or Semi-dry Flue Gas Desulphurisation (FGD) system:** The specific lime consumption shall be worked out based on minimum purity of lime (PL) as at 90% or more by applying formula $[0.90 \times 6 / \text{PL}(\%)]$ gm/kWh;
3. **For Dr Sorbent Injection System (using sodium bicarbonate):** The specific consumption of sodium bicarbonate shall be 12 gm per kWh at 100% purity.
4. **For CFBC Technology (furnace injection) based generating station:** The specific limestone consumption for CFBC based generating station (furnace injection) at 85% purity limestone (kg/kWh) shall be computed with the following formula:

$$[62.9 \times S \times \text{SHR} / \text{CVPF}] \times [0.85 / \text{LP}]$$

Where

S= Sulphur content in percentage,

LP = Limestone Purity in percentage,

SHR= Gross station heat rate, in kCal per kWh,

CVPF =

- (a) Weighted Average Gross calorific value of coal as received, in kCal per kg for coal based stations less actual stacking losses in calorific value of coal on



account of variation during storage at generating station;

Provided that the actual stacking losses shall be subjected to the maximum stacking loss of 85 kcal/kg for pithead stations and 105 kcal/kg for non-pithead stations.

(b) Weighted Average Gross calorific value of primary fuel as received, in kCal per kg, per litre or per standard cubic meter, as applicable for lignite based stations;

5. **For Sea Water based Flue Gas Desulphurisation (FGD) system:** The reagent used is sea water, therefore there is no requirement for any normative formulae for consumption of reagent. The normative consumption of specific reagent for various technologies for reduction of emission of oxide of nitrogen shall be as below:

(a) For Selective Non Catalytic Reduction (SNCR) System: The specific urea Consumption of SNCR system shall be 1.2 gm per kWh at 100% purity of urea.

(b) For Selective Catalytic Reduction (SCR) System: The specific ammonia consumption of SCR system shall be 0.6 gm per kWh at 100% purity of ammonia.

53.7 Transit and Handling Losses:

53.7.1 Transit and handling losses for coal or lignite based generating stations, as a percentage of quantity of coal or lignite dispatched by the coal or lignite supply company during the month shall be as given below:

(a) Coal or lignite-based Generating Stations:

(i) Pit head generating stations: 0.20%;

(ii) Non-pit head generating stations: 0.80%;

Provided that in case of pit head stations if coal or lignite is procured from sources other than the pit head mines which is transported to the station through rail, transit loss of 0.80% shall be applicable:

Provided further that in case of imported coal, the transit and handling losses shall be 0.20%, subject to terms of delivery.

54 Operation and Maintenance expenses for thermal Generating Stations

54.1 Existing Generating Stations that achieved CoD before April 01, 2024:

54.1.1 The Operation and Maintenance expenses excluding water charges and including insurance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten Years ending March 31, 2022, excluding



abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

Provided that the average of such Operation and Maintenance expenses shall be considered as Operation and Maintenance expenses for the Year ended March 31, 2018, and shall be escalated at the respective escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2023;

Provided further that the escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

54.1.2 The Operation and Maintenance expenses for n^{th} year of the Control Period shall be determined based on the formula shown below:

$$\mathbf{O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + Terminal Liabilities and other one-time expenses}$$

Where,

$R\&M_n$ – Repair and Maintenance Costs of Generating Station / Generating unit for the n^{th} year;

EMP_n – Employee Cost of Generating Station / Generating unit for the n^{th} year;

$A\&G_n$ – Administrative and General Costs of Generating Station / Generating unit for the n^{th} year;

X_n -Efficiency factor for n^{th} Year. Value of X_n to be considered as zero till such time the same is determined through a study by the Commission:

Provided that the Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check.

54.1.3 It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner as specified below:

(i) $R\&M_n = K * GFA * (1 + \text{Index Esc}_n)$

(ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (1 + \text{Index Esc}_n)$



Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2022) ending March 31, 2022 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

'GFA' is the Opening balance of the gross fixed assets of the nth year;

EMP_{n-1} - Employee Cost of Generating Station / Generating unit for the immediately preceding year;

$A\&G_{n-1}$ - A&G of Generating Station / Generating unit for the immediately preceding year;

Provided that for first year of control period EMP_{n-1} and $A\&G_{n-1}$ shall mean Employee and A&G expenses of the year after the base year (FY 2022-23) i.e. FY 2023-24, as derived using the escalation rate for FY 2023-24 as mentioned below;

Index Esc means the average Inflation escalation to be considered on the basis of weightage of WPI and CPI respectively of the relevant year and to be computed as below:

$$\text{Index Esc}_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

' WPI_n ' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the nth year;

' CPI_n ' (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India {Base Year: 2011-12 Series};

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}.

Provided further that the escalation rate for FY 2023-24 and for the complete control



period i.e. FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Consumer Price Index (CPI).

Provided further that, in the Truing-up of the O&M expenses norms for any particular year of the Control Period, the escalation rate shall be computed by considering (WE_{WPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Consumer Price Index (CPI).

Provided further that in case an existing generating station has been in operation for less than ten (10) years as on the date of effectiveness of these Regulations, the O&M expenses shall be allowed based on the average of the actual audited expenses available or as per the norms as specified for new generating station, whichever is lower, as the case may be, subject to prudence check.

Note:

- (a) For Coal based Generating Stations of GSECL, $WE_{CPI}:WE_{WPI}$ is to be considered as 60:40.
- (b) For Coal based Generating Stations of TPL, $WE_{CPI}:WE_{WPI}$ is to be considered as 40:60.
- (c) For Lignite and Gas based Generating Stations $WE_{CPI}:WE_{WPI}$ is to be considered as 50:50 and 40:60 respectively.
- (d) O&M expenses shall be allowed on normative basis and shall be trued-up only to the account of variation in Wholesale Price Index and Consumer Price Index.
- (e) The impact of Wage Revision, if any, may be considered at the time of true-up for any Year, based on documentary evidence and justification to be submitted by the Petitioner. Provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.
- (f) Any variation in actual audited O&M expenses, subject to prudence check, and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.



(g) Water Charges shall be allowed separately as per actuals, based on water consumption depending upon type of plant, type of cooling water system etc., subject to prudence check: Provided that the Commission shall provisionally approve the Water Charges for each year of the Control Period based on the actual Water Charges as per latest Audited Accounts available for the Generating Company, subject to prudence check.

(h) For the purpose of estimation, the same Index Esc_n value as derived for FY 2023-24 shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values of the WPI and CPI over past ten financial years including True-up year.

54.2 **New Generating Stations achieving CoD post April 01, 2024:**

54.2.1 The Operation and Maintenance expenses for new generating stations shall be determined based on submissions of the Applicant, Operation and Maintenance expenses for other similar generating stations and such other criteria as may be considered appropriate by the Commission on case to case basis, subject to prudence check.

54.3 The operation and maintenance expenses on account of Emission Control System in coal or lignite based thermal generating station shall be 2% of the admitted capital expenditure (excluding interest during construction) as on its date of commercial operation, which shall be escalated annually @3.5% during the Control Period ending on 31st March 2025:

Provided that income generated from sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses:

Provided that income generated from sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses.

55 Norms of operation for Hydro Generating Stations

55.1 The norms of operation for existing GSECL hydro generating stations for recovery of Annual Capacity Charges shall be as under:

Table 11: Normative Annual Plant Availability Factor and Auxiliary Consumption for GSECL existing Hydro Generating Stations

Station	Normative Annual Plant Availability (NAPAF)	Aux. Consumption incl. Transformer Losses
Ukai Hydro	80%	0.60%
Kadana Hydro	80%	1.00%



55.2 The following Normative Annual Plant Availability Factor (NAPAF) shall apply to other hydro generating stations for recovery of Annual Capacity Charges:

- (a) Storage and Pondage type plants with head variation between Full Reservoir Level (FRL) and Minimum Draw Down Level (MDDL) of up to 8%, 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.

55.3 The following Auxiliary Energy Consumption shall apply to other hydro generating stations:

55.3.1 Surface hydro generating stations:

- (a) With rotating exciters mounted on the generator shaft: 0.70%;
- (b) With static excitation system: 1.00%;

55.3.2 Underground hydro generating station:

- (a) With rotating exciters mounted on the generator shaft: 0.90%;
- (b) With static excitation system: 1.20%.

56 Operation and Maintenance Expenses for Hydro Generating Stations

56.1 **For Existing Stations:**

56.1.1 The Operation and Maintenance expenses shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten financial years ending March 31, 2022, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

Provided that the average of such Operation and Maintenance expenses shall be considered as Operation and Maintenance expenses for the Year ended March 31,



2018, and shall be escalated at the respective escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2023;

Provided further that the escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

56.1.2 The Operation and Maintenance expenses for n^{th} year of the Control Period shall be determined based on the formula shown below:

$$\mathbf{O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + \text{Terminal Liabilities and other one-time expenses}}$$

Where,

$R\&M_n$ –Repair and Maintenance Costs of Generating Station / Generating unit for the n^{th} year;

EMP_n –Employee Cost of Generating Station / Generating unit for the n^{th} year;

$A\&G_n$ –Administrative and General Costs of Generating Station / Generating unit for the n^{th} year;

X_n -Efficiency factor for n^{th} Year. Value of X_n to be considered as zero till such time the same is determined through a study by the Commission:

Provided that the Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check.

It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner as specified below:

(i) $R\&M_n = K * GFA * (1 + \text{Index Esc}_n)$

(ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (1 + \text{Index Esc}_n)$

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated



based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2022) ending March 31, 2022 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

'GFA' is the Opening balance of the gross fixed assets of the nth year;

EMP_{n-1} - Employee Cost of Generating Station / Generating unit for the immediately preceding year;

$A\&G_{n-1}$ - A&G of Generating Station / Generating unit for the immediately preceding year;

Provided that for first year of control period EMP_{n-1} and $A\&G_{n-1}$ shall mean Employee and A&G expenses of the year after the base year (FY 2022-23) i.e. FY 2023-24, as derived using the escalation rate for FY 2023-24 as mentioned below;

Index Esc means the average Inflation escalation to be considered on the basis of weightage of WPI and CPI respectively of the relevant year and to be computed as below:

$$\text{Index Esc}_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

' WPI_n ' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the nth year;

' CPI_n ' (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India {Base Year: 2011-12 Series};

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}

Provided further that the escalation rate for FY 2023-24 and for the complete control period i.e. FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten



years ending March 31, 2023 for Consumer Price Index (CPI).

Provided further that, in the Truing-up of the O&M expenses for any particular year of the Control Period, the escalation rate shall be computed by considering (WE_{WPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Consumer Price Index (CPI).

Note:

- (a) For Hydro based generating stations $WE_{CPI}:WE_{WPI}$ is to be considered as 60:40.
- (b) O&M expenses shall be allowed on normative basis and shall be trued-up only to the account of variation in Wholesale Price Index and Consumer Price Index.
- (c) The impact of Wage Revision, if any, may be considered at the time of true-up for any year, based on documentary evidence and justification to be submitted by the Petitioner. Provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.
- (d) Any variation in actual and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.
- (e) For the purpose of estimation, the same Index Esc_n value as derived for FY 2024-25 shall be used for all years of the Control Period. However, at the time of true-up of any particular year the Commission will consider the actual values of the WPI and CPI over past ten years including True-up year.

56.2 For New Stations:

- (a) O&M expenses for the first year of operation will be 2% of the original project cost (inclusive of consumer contribution/Grant/subsidy component) on pro rata basis from the date of CoD (excluding cost of rehabilitation and resettlement works).
- (b) The O&M expenses for each subsequent year will be determined by escalating the base expenses determined above, at the escalation rate equal to 'Index Esc' specified in Regulation 56.1.2 of these Regulations.

57 Computation and Payment of Annual Capacity Charges and Energy Charges for Thermal Generating Stations

Capacity Charges



- 57.1 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

- 57.2 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:

$$CCp_1 = \{0.20 \times AFC\} \times (1/12) \times (PAFMp_1/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/12)$$

$$CCp_2 = \{0.20 \times AFC\} \times (1/6) \times (PAFMp_2/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/6) - CCp_1$$

$$CCp_3 = \{0.20 \times AFC\} \times (1/4) \times (PAFMp_3/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/4) - (CCp_1 + CCp_2)$$

$$CCop_1 = \{0.80 \times AFC\} \times (1/12) \times (PAFMop_1/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (1/12)$$

$$CCop_2 = \{0.80 \times AFC\} \times (1/6) \times (PAFMop_2/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (1/6) - CCop_1$$

$$CCop_3 = \{0.80 \times AFC\} \times (1/4) \times (PAFMop_3/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (1/4) - (CCop_1 + CCop_2)$$

Low Demand Season:



$$\begin{aligned} \text{CCp}_1 &= \{0.20 \times \text{AFC}\} \times (1/12) \times (\text{PAFM}_{p_1}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (1/12)\} \\ \text{CCp}_2 &= \{0.20 \times \text{AFC}\} \times (1/6) \times (\text{PAFM}_{p_2}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (1/6)\} - \text{CCp}_1 \\ \text{CCp}_3 &= \{0.20 \times \text{AFC}\} \times (1/4) \times (\text{PAFM}_{p_3}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (1/4)\} - (\text{CCp}_1 + \text{CCp}_2) \\ \text{CCp}_4 &= \{0.20 \times \text{AFC}\} \times (1/3) \times (\text{PAFM}_{p_4}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (1/3)\} - (\text{CCp}_1 + \text{CCp}_2 + \text{CCp}_3) \\ \text{CCp}_5 &= \{0.20 \times \text{AFC}\} \times (5/12) \times (\text{PAFM}_{p_5}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (5/12)\} - (\text{CCp}_1 + \text{CCp}_2 + \text{CCp}_3 + \text{CCp}_4) \\ \text{CCp}_6 &= \{0.20 \times \text{AFC}\} \times (1/2) \times (\text{PAFM}_{p_6}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (1/2)\} - (\text{CCp}_1 + \text{CCp}_2 + \text{CCp}_3 + \text{CCp}_4 + \text{CCp}_5) \\ \text{CCp}_7 &= \{0.20 \times \text{AFC}\} \times (7/12) \times (\text{PAFM}_{p_7}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (7/12)\} - (\text{CCp}_1 + \text{CCp}_2 + \text{CCp}_3 + \text{CCp}_4 + \text{CCp}_5 + \text{CCp}_6) \\ \text{CCp}_8 &= \{0.20 \times \text{AFC}\} \times (2/3) \times (\text{PAFM}_{p_8}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (2/3)\} - (\text{CCp}_1 + \text{CCp}_2 + \text{CCp}_3 + \text{CCp}_4 + \text{CCp}_5 + \text{CCp}_6 + \text{CCp}_7) \\ \text{CCp}_9 &= \{0.20 \times \text{AFC}\} \times (3/4) \times (\text{PAFM}_{p_9}/\text{NAPAF}) \text{ subject to ceiling of } (0.20 \times \text{AFC}) \times (3/4)\} - (\text{CCp}_1 + \text{CCp}_2 + \text{CCp}_3 + \text{CCp}_4 + \text{CCp}_5 + \text{CCp}_6 + \text{CCp}_7 + \text{CCp}_8) \\ \text{CCop}_1 &= \{0.80 \times \text{AFC}\} \times (1/12) \times (\text{PAFM}_{op_1}/\text{NAPAF}) \text{ subject to ceiling of } (0.80 \times \text{AFC}) \times (1/12)\} \\ \text{CCop}_2 &= \{0.80 \times \text{AFC}\} \times (1/6) \times (\text{PAFM}_{op_2}/\text{NAPAF}) \text{ subject to ceiling of } (0.80 \times \text{AFC}) \times (1/6)\} - \text{CCop}_1 \\ \text{CCop}_3 &= \{0.80 \times \text{AFC}\} \times (1/4) \times (\text{PAFM}_{op_3}/\text{NAPAF}) \text{ subject to ceiling of } (0.80 \times \text{AFC}) \times (1/4)\} - (\text{CCop}_1 + \text{CCop}_2) \\ \text{CCop}_4 &= \{0.80 \times \text{AFC}\} \times (1/3) \times (\text{PAFM}_{op_4}/\text{NAPAF}) \text{ subject to ceiling of } (0.80 \times \text{AFC}) \times (1/3)\} - (\text{CCop}_1 + \text{CCop}_2 + \text{CCop}_3) \end{aligned}$$



$$CCop_5 = \{0.80 \times AFC\} \times (5/12) \times (PAFMop_5/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (5/12) \} - (CCop_1 + CCop_2 + CCop_3 + CCop_4)$$

$$CCop_6 = \{0.80 \times AFC\} \times (1/2) \times (PAFMop_6/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (1/2) \} - (CCop_1 + CCop_2 + CCop_3 + CCop_4 + CCop_5)$$

$$CCop_7 = \{0.80 \times AFC\} \times (7/12) \times (PAFMop_7/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (7/12) \} - (CCop_1 + CCop_2 + CCop_3 + CCop_4 + CCop_5 + CCop_6)$$

$$CCop_8 = \{0.80 \times AFC\} \times (2/3) \times (PAFMop_8/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (2/3) \} - (CCop_1 + CCop_2 + CCop_3 + CCop_4 + CCop_5 + CCop_6 + CCop_7)$$

$$CCop_9 = \{0.80 \times AFC\} \times (3/4) \times (PAFMop_9/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (3/4) \} - (CCop_1 + CCop_2 + CCop_3 + CCop_4 + CCop_5 + CCop_6 + CCop_7 + CCop_8)$$

Provided that in case of generating station or unit thereof under shutdown due to Renovation and Modernization or installation of Emission Control System, as the case may be, the Generating Company shall be allowed to recover O&M expenses and interest on loan only;

Where,

CCm= Capacity Charge for the Month;

CCp= 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 specific Season;

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.



57.3 Normative Plant Availability Factor for “Peak” and “Off-Peak” Hours in a month shall be equivalent to the NAPAF specified in Regulations 53.1 of 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 the State shall be declared by the SLDC, at least six months in advance:

Provided that the 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 Peak Hours and High Demand Season of the State.

57.4 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:

Provided also that full Capacity Charges shall be recoverable at target availability specified in Regulations 53.1 of these Regulations, and recovery of Capacity Charges below the level of Target Availability shall be on pro-rata basis, irrespective of the reasons for the lower Availability, and no part of the Capacity Charges shall be recoverable except to the extent of Availability:

Provided also that at zero availability, no Capacity Charges shall be payable.

57.5 **Power plant designed on domestic coal:** In the event the availability is less by 5% or more from the Normative Availability (as applicable) on quarterly basis, the fixed charge shall be reduced to the extent of shortfall in Normative Availability and in addition, the reduction below the Normative Availability shall be multiplied by a factor of 0.2 (i.e levy of additional 20% due to reduced availability) to determine the penalty



for non-maintenance of coal stock on quarterly basis.

- 57.6 **Power plant designed on imported coal:** In the event the availability is less by 5% or more from the Normative Availability (as applicable) on quarterly basis, the fixed charge shall be reduced to the extent of shortfall in Normative Availability and in addition, the reduction below the Normative Availability shall be multiplied by a factor of 0.5 (i.e levy /of additional 50% due to reduced availability) to determine the penalty for non-maintenance of coal stock on quarterly basis.
- 57.7 **All Power plants (designed on domestic coal and imported coal):** Further, in case the availability is less by 25% or more from the Normative Availability (as applicable) on quarterly basis, the fixed charge shall be reduced to the extent of shortfall in Normative Availability and in addition, the reduction beyond 25% below the Normative Availability shall be multiplied by a factor of 1 (one) (i.e levy of additional 100% due to reduced availability) to determine the penalty for non-maintenance of coal stock on quarterly basis.
- 57.8 The provisions under Regulations 57.1 to 57.4 of these Regulation shall come into force with effect from 1.4.2025. Till that date, the capacity charge for a thermal generating station determined under these regulations shall be recovered in accordance with the provisions contained in Regulations 58.1 to 58.4 of the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016, subject to the condition that the NAPAF and NAPLF shall be taken as specified under these Regulations.

Energy Charges

- 57.9 Energy charge shall cover the primary and secondary fuel cost and limestone consumption cost or any other reagent (where applicable) and shall be payable by every beneficiary for the total energy scheduled to be supplied to such beneficiary during the calendar month on ex-power plant basis, at the energy charge rate of the month (with fuel / limestone / any other reagent price adjustment). Total Energy charge payable to the generating company for a month shall be:

(Energy charge rate in Rs. /kWh) x {Scheduled energy (ex-bus) for the month in kWh.}

- 57.10 Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formulae:

- (a) For coal based and lignite fired stations

$$ECR = \{(GHR - SFC \times CVSF) \times LPPF / CVPF + SFC \times LPSFi + LC \times LPL + SRC \times LPR\} \times 100 / (100 - AUX_n - AUX_{en})$$



(b) For gas and liquid fuel based stations

$$ECR = GHR \times LPPF \times 100 / \{CVPF \times (100 - AUX)\}$$

Where,

AUX = Normative auxiliary energy consumption in percentage.

CVPF= (a) Weighted Average Gross calorific value of coal as received, in kcal per kg for coal based stations less actual stacking losses in calorific value of coal on account of variation during storage at generating station;

Provided that the actual stacking losses shall be subject to the maximum stacking loss of 85 kcal/kg for pithead stations and 105 kcal/kg for non-pithead stations.

(b) Weighted Average Gross calorific value of primary fuel as received, in kcal per kg, per litre or per standard cubic meter, as applicable for lignite, gas and liquid fuel based stations.

(c) In case of blending of fuel from different sources, the weighted average Gross calorific value of primary fuel shall be arrived in proportion to blending ratio.

CVSF= Calorific value of secondary fuel, in kcal per ml.

ECR = Energy charge rate, in Rupees per kWh sent out.

GHR = Gross station heat rate, in kcal per kWh.

LC = Normative limestone consumption in kg per kWh.

LPL = Weighted average landed price of limestone in Rupees per kg.

LPPF =Weighted average landed price of primary fuel, in Rupees per kg, per litre or per standard cubic metre, as applicable, during the month. (In case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio)

SFC = Normative Specific fuel oil consumption, in ml per kWh.

LPSFi=Weighted Average Landed Price of Secondary Fuel in Rs./ml during the month:

SRC = Specific reagent consumption on account of revised emission standards (in g/kWh);

LPR = Weighted average landed price of reagent for Emission Control System (in Rs/kg);

AUX_{en} = Normative Auxiliary Energy Consumption of Emission Control System as % of gross generation;



Provided that energy charge rate for a gas/liquid fuel based station shall be adjusted for open cycle operation based on certification of Member Secretary of respective Regional Power Committee for the open cycle operation during the month.

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 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.

- 57.11 Generating company shall provide to the beneficiaries of the generating station the details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., as per the forms prescribed from time to time:

Provided that the details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal and the weighted average GCV of the fuels as received shall also be provided separately, along with the bills of the respective month:

Provided further that copies of the bills and details of parameters of GCV and price of fuel, i.e., domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel, etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal shall also be displayed on the website of the generating company. The details should be available on its website on monthly basis for a period of three months.

- 57.12 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, and, for the purpose of computation of energy charge, and in case of coal/lignite shall be arrived at after considering normative transit and handling losses as specified in Regulation 53.7 of these Regulations.

- 57.13 Landed fuel cost of primary fuel and secondary fuel for tariff determination shall be based on actual weighted average cost of primary fuel and secondary fuel of the three preceding months, and in the absence of landed costs for the three preceding months, latest procurement price of primary fuel and secondary fuel for the generating station, before the start of the tariff period for existing stations and immediately preceding three months in case of new generating stations shall be taken into account.



Provided that, no demurrage charge of railway rakes shall generally be allowed. However, for any demurrage charge cause of which is not attributable to generating company may be allowed subject to prudence check by the Commission. Generating company has to ensure that, it has taken sufficient measures to avoid the occurrence of any demurrage.

57.14 Landed price of limestone shall be taken based on procurement price of limestone for the generating station, inclusive of royalty, taxes and duties as applicable and transportation cost.

57.15 In case of part or full use of alternative source of fuel supply by coal based thermal generating stations other than as agreed by the generating company and beneficiaries in their power purchase agreement for supply of contracted power on account of shortage of fuel or optimization of economical operation through blending, the use of alternative source of fuel supply shall be permitted to generating station:

Provided that in such case, prior permission from beneficiaries shall not be a pre-condition, unless otherwise agreed specifically in the power purchase agreement:

Provided further that the weighted average price of use of alternative source of fuel shall not exceed 30% of base price of fuel computed as per Regulation 57.16:

Provided also that where the energy charge rate based on weighted average price of use of fuel including alternative source of fuel exceeds 30% of base energy charge rate as approved by the Commission for that year or energy charge rate based on weighted average price of use of fuel including alternative sources of fuel exceeds 20% of energy charge rate based on weighted average fuel price for the previous month, whichever is lower shall be considered and in that event, prior consultation with beneficiary shall be made not later than three days in advance.

57.16 Energy Charges, for the purpose of billing/Fuel Surcharge will be worked out station-wise based on weighted average rate for scheduled generation from the Units of each Station on monthly basis.

57.17 **Fuel Price Adjustment:** Adjustment of Energy Charge Rate (ECR) [Fuel Price Adjustment] on account of variation in price or heat value of fuels shall be computed and charged on monthly basis as stipulated by the Commission from time to time.

58 Computation and Payment of Capacity Charges and Energy Charges for Hydro Generating Stations

58.1 The Annual Fixed Charges of a Hydro Generating Station shall be computed on annual basis, based on 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.

- 58.2 The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be:

$AFC \times 0.5 \times NDM / NDY \times (PAFM / NAPAF)$ (in Rupees);

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.

- 58.3 The PAFM shall be computed in accordance with the following formula:

$$PAFM = \frac{10000 \times \sum_{i=1}^N DC_i}{\{ N \times IC \times (100 - AUX_n - AUX_{en}) \}} \%$$

Where;

AUX_n = Normative auxiliary energy consumption in percentage;

AUX_{en} = Normative auxiliary energy consumption for pollution control system as a percentage of gross energy generation, wherever applicable;

DC_i = Declared capacity (in ex-bus MW) for the ⁱth day of the month which the station can deliver for at least three (3) hours; as certified by the Gujarat SLDC after the day is over.

IC = Installed capacity (in MW) of the complete generating station;

N = Number of days in the month.

- 58.4 The Energy Charge shall be payable by every beneficiary for the total energy supplied to the beneficiary 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

- 58.5 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:

$$\text{ECR} = \text{AFC} \times 0.5 \times 10 / \{\text{DE} \times (100 - \text{AUX})\};$$

Where;

DE = Annual Design Energy specified for the hydro generating station, in MWh, subject to the provision in Regulation 58.6 below.

58.6 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 A2 MWh, 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 $100 / (100 - \text{AUX})$.

58.7 In case the Energy Charge Rate (ECR) for a hydro generating station, as computed in Regulation 58.5 above, exceeds ninety paise per kWh, and the actual saleable energy in a year exceeds $\{\text{DE} \times (100 - \text{AUX}) / 10000\}$ 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.



- 58.8 The Gujarat State Load Despatch Centre shall finalise 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.

59 Demonstration of declared capacity

- 59.1 The Generating Company may be required to demonstrate the declared capacity of its generating station as and when asked by the Gujarat State Load Despatch Centre. In the event of the Generating Company failing to demonstrate the declared capacity, the capacity charges due to the Generating Company shall be reduced as a measure of penalty.
- 59.2 The quantum of penalty for the first mis-declaration for any duration/block in a day shall be the charges corresponding to two days' capacity charges. For the second mis-declaration, the penalty shall be equivalent to fixed charges for four days and for subsequent mis-declarations in the year, the penalty shall be multiplied in the geometrical progression.
- 59.3 The operating logbooks of the generating station shall be available for review by the Gujarat State Load Despatch Centre. These books shall keep record of machine operation and maintenance.

60 Billing and Payment of Charges

- 60.1 The Billing and Payment of Capacity Charges, Energy Charges and Fuel Surcharge Adjustments shall be done on a monthly basis subject to adjustments at the end of the year.
- 60.2 The Billing and Payment of Capacity Charges and Energy Charges for Hydro Generating Stations shall be done on a monthly basis.

61 Sharing of CDM Benefits

- 61.1 The proceeds of carbon credits from approved Clean Development Mechanism (CDM) projects shall be shared between Generating Company and the beneficiaries concerned in the following manner, namely:
- 61.2 100% of the gross proceeds on account of CDM benefit to be retained by the project developer in the first year after the date of commercial operation of the generating station;
- 61.3 In the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, whereafter the proceeds shall be shared in equal proportion, by the Generating Company and the



beneficiaries.

62 Deviation Charges

62.1 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 deviations and will be dealt with as per the Intra-State ABT Regulations/Orders notified/issued by the Commission including all its amendment from time to time.

62.2 Variations between actual net injection and scheduled net injection for the generating stations, and variations between actual net drawal and scheduled net drawal for the Beneficiary/ies shall be treated as their respective Unscheduled Interchange (deviations), and charges for such Unscheduled Interchange (deviations) shall be governed in accordance with the Intra-State ABT Mechanism Order/Regulations issued by the Gujarat Electricity Regulatory Commission including all its amendment from time to time:

Provided that any Unscheduled Interchange (deviations) Charges and any penalty or incentive, paid or earned by the Generating Company/ies in accordance with such Order/Regulations as issued by Commission shall not be recoverable/adjusted from the Beneficiary/ies through Tariff:

Provided further that basic Unscheduled Interchange (deviations) Charges paid or earned by the Distribution Licensees in accordance with such Intra-State ABT Mechanism Order/Regulations issued by the Commission including all its amendment from time to time shall be recoverable/adjusted from the Beneficiary/ies through Tariff:

Provided also that any Additional Charges applicable due to deviation in excess of the volume limit specified or sign violation to the Distribution Licensees in accordance with such Intra-State ABT Mechanism Order issued by the Commission including all its amendment from time to time, shall not be recoverable from the Beneficiary/ies through Tariff.

63 Compensation in relation to operation on account of backing down

63.1 In case a Generating Station or Unit is instructed for backing down as per direction given by SLDC on account of grid security or due to the lower schedule given by the Beneficiaries, the impact of the same on any of the operational parameters such as Gross Station Heat Rate, Auxiliary consumption and Secondary Fuel Oil Consumption, may be considered by the Commission on case to case basis at time of truing up, subject to prudence check.



CHAPTER 5: INTRA-STATE TRANSMISSION

64 Applicability

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

Provided that the Commission may deviate from the norms contained in this Part or stipulate alternative norms for particular cases, where it so deems appropriate, having regard to the circumstances of the case:

Provided further that the reasons for such deviation shall be recorded in writing.

Provided that this Regulations will not be applicable for any new transmission system set up by a Transmission Licensee under section 63 of the Electricity Act 2003.

64.2 For InSTS Projects under Section 63 of the Act:

64.2.1 All new and augmentation of Intra-State Transmission projects of 220 kV & above voltage level (including associated equipment of downstream voltage level) or having estimated cost excluding land cost of more than 100 Crores, being part of the STU Transmission Plan, shall be implemented through Tariff Based Competitive Bidding (TBCB) in accordance with the guidelines issued under Section 63 of the Act and any deviation from the guidelines should have prior approval of the Commission. The tariff of such Intra-State Transmission projects shall be discovered under Section 63 of the Act:

Provided that following new greenfield Intra-State Transmission projects, being part of the STU Transmission Plan, shall be covered under RTM framework (under Section 62 of the Act) subject to prior approval of the Commission:

- (a) Intra-State Transmission projects of strategic importance or works required for catering to an urgent situation, where proposal of such importance or urgency is supported by the recommendation of the State Government;
- (b) Deposit works, whose funds are accounted for under consumer contribution;
- (c) Small schemes such as LILO lines, whether for the purpose of a city bypass or otherwise, and entailing a cost not exceeding Rs. 100 Crores. However, after completion of project, if it is found that the capital cost incurred has exceeded the ceiling limit of Rs 100 Crores, then such excess amount shall not be passed under Regulated Tariff and shall be borne by the Transmission Licensee through its own reserve/cost.



64.2.2 The State Transmission Utility (STU) i.e. GETCO to frame guidelines in this regard within four months from the date of notification of these regulations.

64.3 Tariff Determination for InSTS Projects under Section 62 of the Act:

(a) Tariff for all other Intra-State Transmission projects not covered under Regulation 64.2, being part of the STU Transmission Plan, shall be determined in accordance with RTM framework under Section 62 of the Act.

(b) Implementation of augmentation/ strengthening works (excluding O&M works) at the Intra-State Transmission substation and/or line, being part of the STU Transmission Plan, shall be carried out by the respective developer in accordance with the provisions under Section 62 of the Act, for which the STU shall obtain prior approval of the Commission on case-to-case basis.

64.4 The Commission shall be guided by the Regulations contained in this Chapter in specifying the rates, charges, terms and conditions for use of intervening transmission facilities pursuant to an application made in this regard by a Licensee under the proviso to Section 36 of the Act.

65 Components of tariff

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

- (a) transmission system access charges;
- (b) annual transmission charges;
- (c) per unit charges for energy transmitted;
- (d) reactive energy charges.

65.2 Annual Transmission Charges for each financial year of the Control Period shall provide for the recovery of the Aggregate Revenue Requirement of Transmission Licensee for the respective financial year of the Control Period, as reduced by the amount of Non-Tariff Income, income from other business and short-term transmission charges of the previous year, as approved by the Commission:

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



- 65.3 The Annual Transmission Charges of the Transmission Licensee shall be determined by the Commission on the basis of an application for determination of Aggregate Revenue Requirement made by the Transmission Licensee in accordance with **Chapter 2** of these Regulations.

66 Capital Investment Plan

- 66.1 Transmission Licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of Intra-State Transmission network, meeting the requirement of load growth, improvement in quality of supply, reliability, metering, congestion management, integration of renewable energy sources, etc., to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period:

Provided that the Capital Investment Plan shall be submitted for each year of the Control Period` as specified in **Chapter 2** of these Regulations:

- 66.2 Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value as specified in Guidelines for in-principle clearance of proposed investment schemes as provided in **Annexure III** of these Regulations or such other amount as may be stipulated by the Commission from time to time, and shall be in such form as may be stipulated.
- 66.3 Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of bays, name, configuration and location of grid substations, substation capacity (MVA), transmission line length (ckt-km) showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the transmission charges.
- 66.4 Transmission Licensee shall submit, along with the Petition for determination of Aggregate Revenue Requirement on each year of the control period, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.
- 66.5 Capital Investment Plan of the Transmission Licensee shall be consistent with the transmission system plan for the Intra-State Transmission System.
- 66.6 Transmission Licensee shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register



(FAR) for allowance of the capitalization of the same by the Commission.

Provided that regarding the Assets already capitalized as on April 01, 2024, the Transmission Licensee shall prepare and submit to the Commission a time-bound plan to undertake the geo-tagging in phased manner, preferably within the Control Period, along with the MYT Petition.

Provided further that the Transmission Licensee must provide access of the details of geo-tagging to the Commission for online monitoring.

67 Norms for operation

67.1 Target availability for the transmission system shall be as under:

(i) For full recovery of annual transmission charges:

(a) AC system : 98.50 per cent;

(b) HVDC bi-pole links and HVDC back-to-back stations : 95 per cent;

Provided that the normative annual transmission availability factor of the HVDC bi-pole links shall be 85% for first twelve months from the date of commercial operation

(ii) For Additional Rate of Return on Equity consideration:

(a) AC system : 99.50 per cent;

(b) HVDC bi-pole links and HVDC back-to-back stations : 96 per cent;

Note 1: Recovery of annual transmission charges below the level of target availability shall be on pro rata basis. At zero availability, no transmission charges shall be payable.

Note 2: The actual availability shall be calculated in accordance with the procedure provided in **Annexure II** to these Regulations and shall be certified by the Gujarat State Load Despatch Centre as per the format specified in **Appendix I** of the **Annexure II** of these Regulations.

Provided that for new HVDC stations, Target Availability shall be considered as 95% for first three years of operations for the purpose of calculations of additional Return on Equity:

Provided also that the computation of additional rate of Return on Equity shall be undertaken as per Regulation 35 of these Regulations:

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.

68 Calculation of Aggregate Revenue Requirement

68.1 Aggregate Revenue Requirement of a transmission licensee shall comprise the following components, viz.

- (a) Depreciation;
- (b) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed;
- (c) Interest on working capital and deposits from Transmission System Users;
- (d) Operation and maintenance expenses;
- (e) Contribution to contingency reserves, if any;
- (f) Income Tax; minus:
- (g) Non-Tariff Income;
- (h) Revenue from short-term transmission charges projected on the basis of latest audited figures; and
- (i) Income from Other Business, to the extent specified in these Regulations.

Provided that depreciation, interest and finance charges on loan capital & return on equity and/or return on capital employed and interest on working capital and income tax for the Transmission Licensee shall be allowed in accordance with the provisions specified in **Chapter 3** of these Regulations:

Provided also that the components of the Aggregate Revenue Requirement corresponding to the transmission lines owned by Gujarat Energy Transmission Corporation Limited (GETCO) and conveying electricity to other States, being recovered through the Point of Connection (PoC) transmission charges in accordance with the Regulations and Orders of the Central Electricity Regulatory Commission, shall not be recovered from the Annual Transmission Charges determined under these Regulations:

Provided also that in case any such components have already been recovered through the Intra-State Transmission tariff, then such excess recovery shall be deducted from the Aggregate Revenue Requirement of GETCO for the future years, along with associated holding cost, as applicable:



Provided also that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, on a case to case basis, if the income/expenses in that prior period have been allowed on actual basis, subject to prudence check:

Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the orders of the Commission shall not be allowed to be recovered through the Aggregate Revenue Requirement whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with its Petition.

69 Operation and Maintenance expenses:

69.1 The Operation and Maintenance expenses for Transmission Licensees shall be allowed based on the norms for Operation and Maintenance expenses derived for circuit kilometres of transmission lines and number of Bays as per methodology specified in clauses below:

69.2 Existing Transmission Licensee:

69.2.1 Norms for Operation and Maintenance expenses for existing Transmission Licensees shall be derived based on the average of the actual audited Operation and Maintenance expenses for the past ten Years ending March 31, 2022, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

Provided that Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check:

Provided further that the average of such Operation and Maintenance expenses shall be allocated to bays and transmission line length (ckt-km) in the ratio of 70:30:

Provided further that the average Operation and Maintenance expenses allocated to bays and transmission line length (ckt-km) as computed above, shall be divided by average number of bays and transmission line length in ckt-km derived on the basis of opening and closing number of bays/ transmission line length, to arrive at Operation and Maintenance expenses per bays and Operation and Maintenance expenses per ckt-km:

Provided that such Operation and Maintenance expenses per bays and per ckt-km shall be considered as norms for Operation and Maintenance expenses for the Year ended March 31, 2018 and shall be escalated at the respective escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, to arrive at the



norms for Operation and Maintenance expenses per bays and per ckt-km for the base year ending March 31, 2023:

Provided further that the escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

69.2.2 The norms for Operation and Maintenance expenses per bays and per ckt-km for nth year of the Control Period shall be determined based on the formula shown below:

i. $O\&M \text{ per bay}_n = (O\&M \text{ per bay}_{n-1}) * (1 + \text{Index Esc}_n)$

ii. $O\&M \text{ per ckt-km}_n = (O\&M \text{ per ckt-km}_{n-1}) * (1 + \text{Index Esc}_n)$

Where,

$O\&M \text{ per bay}_{n-1}$ – Norm for Operation and Maintenance expenses per bay for Transmission Licensee for the immediately preceding year;

$O\&M \text{ per ckt-km}_{n-1}$ – Norm for Operation and Maintenance expenses per ckt-km for Transmission Licensee for the immediately preceding year;

Provided that for first year of control period, $O\&M \text{ per bay}_{n-1}$ and $O\&M \text{ per ckt-km}_{n-1}$ shall mean norms for Operation and Maintenance expenses per bays and per ckt-km of the year after the base year (FY 2022-23) i.e. FY 2023-24, as derived using the escalation rate for FY 2023-24 as mentioned below;

Index Esc means the average Inflation escalation to be considered based on weightage of WPI and CPI respectively of the relevant year and to be computed as below:

$$\text{Index Esc}_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

‘ WPI_n ’ (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the n^{th} year;

‘ CPI_n ’ (expressed in %) means the average yearly inflation of Consumer Price Index



(Industrial workers) over the years for the n^{th} year.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India {Base Year: 2011-12 Series};

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}

Provided further that the escalation rate for FY 2023-24 and for the complete control period i.e. FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Consumer Price Index (CPI).

Provided further that, in the Truing-up of the O&M expenses norms per bays and per ckt-km for any particular year of the Control Period, the escalation rate shall be computed by considering (WE_{WPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Consumer Price Index (CPI)

Note:

- (a) For Transmission Licensee $WE_{CPI}:WE_{WPI}$ is to be considered as 65:35.
- (b) O&M expenses shall be allowed on normative basis and shall be trued-up only to the account of variation in Wholesale Price Index and Consumer Price Index.
- (c) The number of Bays considered for computing O&M expenses norms shall exclude the unutilised Bays.
- (d) The O&M expenses for the GIS bays shall be allowed by multiplying 0.7 to the O&M expenses norms for bays of the respective year of control period as worked out in Regulation 69.2.2 above.
- (e) The impact of Wage Revision, if any, may be considered at the time of true-up for any Year, based on documentary evidence and justification to be submitted by the Petitioner. Provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.
- (f) For the purpose of estimation, the same Index Esc_n value as derived for FY 2023-24 shall be used for all years of the Control Period. However, at the time of true-up



of any particular year the Commission will consider the actual values of the WPI and CPI over past ten years including True-up year.

- (g) Any variation in actual and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.
- (h) Transmission Licensee shall submit a certificate from the Chief Electrical Inspector for the number of bays and circuit kilometres of transmission line added during the year at the time of truing up.

69.3 **For New Transmission Licensee:**

- 69.3.1 For the New transmission licensees, the year-wise O&M norms shall be determined on case-to-case basis:

Provided that the Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check:

Provided further that the same shall not be applicable to those new projects, which are awarded on a competitive bidding basis.

Explanation 1: The term “New Transmission Licensee” shall mean the Transmission Licensee(s) for which transmission license is granted by the Commission after the date of effectiveness of these Regulations, and whose transmission project assets are commissioned after March 31, 2024.

Explanation 2: For the purpose of deriving normative O&M expenses, ‘Bay’ shall mean a set of accessories that are required to connect an electrical equipment such as Transmission Line, Bus Section Breakers, Potential Transformers, Power Transformers, Capacitors and Transfer Breaker and the feeders emanating from the bus at Sub-station of Transmission Licensee. Further, the Bays referred herein shall include only the Bays at the Transmission substation and shall exclude any bays of the Generating Station switchyard whose maintenance is usually the responsibility of the Generating Company.

70 **Contribution to contingency reserve:**

- 70.1 The Transmission Licensee may make an appropriation to the Contingency Reserve of a sum not exceeding 0.5 per cent of the original cost of fixed assets at the beginning of the year, for each year, which shall be allowed in the calculation of aggregate revenue requirement:

Provided that where the amount of such Contingency Reserve exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed, which



would have the effect of increasing the reserve beyond the said maximum:

Provided further that the amount so appropriated may be invested in securities authorised under the Indian Trusts Act, 1882 or any other security within a period of six months of the close of the financial year whereby the investment is required to be restricted to interest bearing securities only preferably government securities and shall not be a market linked products:

Provided also that if the amount so appropriated is invested in securities, then the actual interest income earned by the Transmission Licensee shall be included under the Non-Tariff income:

Provided also that if the Licensee does not invest the amount of contribution to Contingency Reserves in authorised securities within a period of six months of the close of the Year, then the contribution allowed in the calculation of Aggregate Revenue Requirement shall be disallowed at the time of true-up:

Provided also that if the Licensee does not invest the amount of contribution to Contingency Reserves in authorised securities for two consecutive Years, then the contribution to Contingency Reserves shall not be allowed in the calculation of Aggregate Revenue Requirement from the subsequent Year onwards.

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

Provided that such drawal from Contingency Reserve shall be computed after making due adjustments for any other compensation that may have been received by the Licensee as part of an insurance cover and Government Grant, if any.

- 70.3 No diminution in the value of contingency reserve as mentioned above shall be allowed to be adjusted as a part of tariff.

71 Non-Tariff Income

- 71.1 The amount of Non-Tariff Income relating to the Transmission Business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining annual transmission charges of the Transmission Licensee:



Provided that the Transmission Licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement.

71.2 The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- (a) Income from rent on land or buildings;
- (b) Income from sale of scrap;
- (c) Income from statutory investments;
- (d) Income from interest on Fixed Deposits (including contingency reserve investment);
- (e) Interest on advances to suppliers/contractors;
- (f) Rental from staff quarters;
- (g) Rental from contractors;
- (h) Income from Insurance claim receipt;
- (i) Income from hire charges from contactors and others;
- (j) Income from advertisements, sale of tender etc.;
- (k) Miscellaneous receipts like parallel operation charges;
- (l) Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- (m) Excess found on physical verification;
- (n) Interest on investments, fixed and call deposits and bank balances;
- (o) Prior period income;
- (p) Supervisory charges for contractual works;
- (q) Any other Non-Tariff Income:

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

72 Income from Other Business

72.1 Income from Other Business, if any, of Transmission Licensee shall be governed by provisions of Gujarat Electricity Regulatory Commission (Licensing of Transmission) Regulation, 2005, as amended from time to time.



73 Determination of Transmission Charges

- 73.1 Annual Transmission charges for use of the Transmission system of the Transmission Licensee shall be determined by the Commission in such a way that the aggregate revenue requirement of the Transmission Licensee for the financial year as approved by the Commission is recovered.
- 73.2 Annual Transmission charges of the Transmission Licensee shall be determined by the Commission on the basis of an application made by the Transmission Licensee, for the determination of tariff, in accordance with **Chapter 2** of these Regulations.

74 Sharing of charges for Intra-State Transmission Network

- 74.1 Aggregate Revenue Requirement of the Transmission Licensee, as approved by the Commission, shall be shared by all long-term users and medium-term users of the transmission system on monthly basis in the ratio of their respective contracted transmission capacities to the total contracted transmission capacity, in accordance with the following formula:

$$MTC_n = (\text{Transmission ARR} \times CC_n \div SCC) \div 12$$

Where,

MTC_n = Monthly transmission charges payable by the nth long-term user or medium-term user of the transmission system;

Transmission ARR = Aggregate Revenue Requirement of the Transmission Licensee, determined in accordance with Regulation 65 of these Regulations;

CC_n = capacity contracted in MW by the nth long-term user or medium-term user of the transmission system;

SCC = sum of capacities contracted in MW by all long-term users and medium-term users of the transmission system:

Provided that the MTC_n i.e. shall be payable on monthly basis by each long-term user or medium-term user of the transmission system and shall be collected by the State Transmission Utility (STU).

- 74.2 For short-term users, including the collective transaction through power exchanges, the transmission charges shall be determined in Rs. per kWh, in accordance with the following formula:

$$TC (\text{Rs./kWh}) = \text{Transmission ARR} \div \text{Total units wheeled,}$$

Where,

Transmission ARR = Aggregate Revenue Requirement of the Transmission Licensee,



determined in accordance with Regulation 65 of these Regulations;

- 74.3 Total Units Wheeled = Total energy units wheeled through the transmission system, which shall be equal to the total energy input into the Intra-State Transmission System during the last available truing up year divided by the actual transmission capacity utilized during the last available truing up year, and that is multiplied by the estimated transmission loading capacity for the financial year.
- 74.4 Revenue from short-term open access charges for each yearly period (t) of Control Period shall be taken to be same as that prevalent during the yearly period one year before the commencement of the Control Period. However, the adjustments due to variation in actual revenue from short-term open access charges shall be undertaken during annual truing up.

75 Transmission losses

- 75.1 The Commission shall examine the filing made by the Transmission Licensee in respect of transmission loss and shall approve a transmission loss trajectory band with upper and lower limits having $\pm 0.10\%$ variation for each year of the Control Period based on the opening loss levels, licensee's filings/submissions, past trends, objections raised by the stakeholders and any other factor considered relevant by the Commission. This approved loss target will be used for computing estimated energy for transmission in licensee's system for that year.
- 75.2 There shall be no incentive or penalty in case the actual transmission losses lies within the specified band determined for the year of the Control Period. However, in case the actual transmission loss levels achieved by the Transmission Licensee is deviates on either side of the loss band as provided above, then the Transmission Licensee shall be incentivized or penalized, as the case may be, through variation in the rate of Return on Equity in accordance with Regulation 35 of these Regulations.
- 75.3 Energy losses in the transmission system of the Transmission Licensee, as determined by the Gujarat State Load Despatch Centre, shall be borne by the Transmission System Users in proportion to their usage of the Intra-State Transmission System.

Provided that the quantum of energy consumed by the auxiliary equipment of a transmission substation and the station transformer losses within the sub-station shall not be accounted for under the Transmission Losses:

Provided further that the energy consumed for supply of power by the transmission sub-station to the associated offices of the Licensee, its housing colony and other facilities, and for construction works at the sub-station, shall not be considered as



energy consumed by the auxiliary equipment of a transmission sub-station:

Provided further that Transmission Licensee shall place the details of energy accounts (weekly/monthly settlements) of all the transmission system users, the month-wise transmission system availability as certified by SLDC, on its website along with the transmission loss for a month, by the end of the succeeding month.

76 Usage of Intra-State Transmission System

- 76.1 All the matters related to Open Access Transactions shall be dealt in accordance with Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011 as applicable and as amended through Orders issued by the Commission from time to time.
- 76.2 All the matters related to Green Energy Open Access Transactions shall be dealt in accordance with Gujarat Electricity Regulatory Commission (Terms and Conditions for Green Energy Open Access) Regulations, 2023 as applicable and as amended through Orders issued by the Commission from time to time.
- 76.3 Charges for Intra-State Transmission usage shall be shared among various TSUs as specified in these Regulations.

77 Transmission Pricing Framework

- 77.1 The Commission may implement transmission pricing framework considering factors such as voltage, distance, direction and quantum of flow based on the methodology specified by the CERC.

78 Consequential Impact of any Government of India Scheme

- 78.1 Any consequential impact of any Government of India scheme for waiver/reduction of transmission charges, incentives, and losses for any entity/ies, on the transmission charges payable by the other entities, shall be addressed through separate Orders to be issued by the Commission from time to time.



CHAPTER 6: SLDC

79 Applicability

79.1 The Regulations contained in this Chapter shall apply to determination of fees and charges to be levied by the SLDC in the state of Gujarat after April 01, 2024.

80 Capital Investment Plan

80.1 SLDC shall submit a detailed capital investment plan, financing plan and physical targets for each year to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period based on the operational requirements prescribed by the Commission and recommendations of various Committees constituted for looking into matters related to strengthening of the State Load Despatch Centres by the Ministry of Power, Government of India or any such other statutory authorities, to the Commission for approval, as a part of the Aggregate Revenue Requirement for the entire Control Period.

80.2 SLDC shall submit the Capital Investment Plan as specified in **Chapter 2** of these Regulations.

80.3 Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value as specified in Guidelines for in-principle clearance of proposed investment schemes as provided in **Annexure III** of these Regulations or such other amount as may be stipulated by the Commission from time to time, and shall be in such form as may be stipulated.

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

80.5 The Commission shall consider the Capital Investment Plan along with the Aggregate Revenue Requirement for the entire Control Period submitted by the SLDC taking into consideration the prudence of the proposed expenditure and estimated impact on SLDC Fees and Charges.

80.6 SLDC shall submit, along with the Petition for determination of Aggregate Revenue Requirement on each year of the control period, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

Provided also that the computation of penalty on the allowable RoE shall be undertaken as per Regulation 35 of these Regulations.



80.7 SLDC shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register (FAR) for allowance of the capitalization of the same by the Commission.

Provided that regarding the assets already capitalized as on April 01, 2024, the SLDC shall prepare and submit to the Commission a time-bound plan to undertake the geo-tagging in phased manner, preferably within the Control Period, along with the MYT Petition.

Provided further that the SLDC must provide access of the details of geo-tagging to the Commission for online monitoring.

81 Levy and Collection of Charges from Generating Companies, Licensees and MTOA beneficiaries

81.1 All expenses incurred by the SLDC shall be accounted separately.

81.2 Expenses incurred by the SLDC in the discharge of its functions as specified in Section 32 of the Electricity Act shall be recovered from the Generating Companies, Licensees and MTOA beneficiaries through Charges.

81.3 Charges to be recovered from Generating Companies, Licensees and MTOA beneficiaries shall be determined taking into account the following expenses:

- (a) Operation & Maintenance expenses;
- (b) Depreciation;
- (c) Regional Load Despatch Centre (RLDC) Fees and Western Region Power Committee (WRPC) Charges;
- (d) ULDC and SCADA upgradation Charges
- (e) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed;
- (f) Interest on working capital;
- (g) Income Tax minus
- (h) Non-Tariff Income;
- (i) Income from Open Access charges.

Provided that depreciation, interest and finance charges on loan capital & return on equity and/or return on capital employed, interest on working capital and income tax for the SLDC shall be allowed in accordance with the provisions specified in **Chapter 3**



of these Regulations:

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

Provided also that all penalties and compensation payable by SLDC to any party for failure to meet its obligations or for damages, as a consequence of the orders of the Commission shall not be allowed to be recovered whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations.

82 Operation and Maintenance expenses

82.1 The Operation and Maintenance expenses shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten years ending March 31, 2022, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

Provided that the average of such Operation and Maintenance expenses shall be considered as Operation and Maintenance expenses for the Year ended March 31, 2018, and shall be escalated at the respective escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2023:

Provided further that the escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

82.2 The Operation and Maintenance expenses for nth year of the Control Period shall be determined based on the formula shown below:

$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + \text{Terminal Liabilities and other one-time expenses}$

Where,

$R\&M_n$ –Repair and Maintenance Costs of SLDC for the nth year;

EMP_n –Employee Cost of SLDC for the nth year;



$A\&G_n$ –Administrative and General Costs of SLDC for the nth year;

X_n -Efficiency factor for nth Year. Value of X_n to be considered as zero till such time the same is determined through a study by the Commission:

Provided that the Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check.

82.3 It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner as specified below:

(i) $R\&M_n = K * GFA * (1 + \text{Index Esc}_n)$

(ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (1 + \text{Index Esc}_n)$

Where,

‘K’ is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of ‘K’ will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2022) ending March 31, 2022 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

‘GFA’ is the Opening balance of the gross fixed assets of the nth year;

EMP_{n-1} - Employee Cost of SLDC for the immediately preceding year;

$A\&G_{n-1}$ - A&G of SLDC for the immediately preceding year;

Provided that for first year of control period EMP_{n-1} and $A\&G_{n-1}$ shall mean Employee and A&G expenses of the year after the base year (FY 2022-23) i.e. FY 2023-24, as derived using the escalation rate for FY 2023-24 as mentioned below;

Index Esc means the average Inflation escalation to be considered on the basis of weightage of WPI and CPI respectively of the relevant year and to be computed as below:

$$\text{Index Esc}_n = WE_{\text{CPI}} * \text{CPI}_n + WE_{\text{WPI}} * \text{WPI}_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

‘ WPI_n ’ (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the nth year.



'CPI_n' (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India {Base Year: 2011-12 Series};

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}

Provided further that the escalation rate for FY 2023-24 and for the complete control period i.e. FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Consumer Price Index (CPI).

Provided further that, in the Truing-up of the O&M expenses norms for any particular year of the Control Period, the escalation rate shall be computed by considering (WE_{WPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Consumer Price Index (CPI).

Note:

- i. For SLDC, $WE_{CPI}:WE_{WPI}$ is to be considered as 70:30.
- ii. O&M expenses shall be allowed on normative basis and shall be trued-up only to the account of variation in Wholesale Price Index and Consumer Price Index.
- iii. The impact of Wage Revision, if any, may be considered at the time of true-up for any Year, based on documentary evidence and justification to be submitted by the Petitioner. Provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.
- iv. Any variation in actual and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.
- v. For the purpose of estimation, the same Index Esc_n value as derived for FY 2024-25 shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values



of the WPI and CPI over past ten years including True-up year.

83 Non-Tariff Income

83.1 The amount of Non-Tariff Income relating to the SLDC as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the Charges of the SLDC:

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

83.2 The indicative list of various heads that shall be considered under Non-Tariff Income is as under:

- (a) Income from rent on land or buildings;
- (b) Income from sale of scrap;
- (c) Interest on advances to suppliers/contractors;
- (d) Rental from staff quarters;
- (e) Rental from contractors;
- (f) Income from hire charges from contractors and others;
- (g) Income from Insurance claim receipt;
- (h) Scheduling and System Operation Charges;
- (i) Miscellaneous receipts such as application fees, etc.;
- (j) Excess found on physical verification;
- (k) Interest on investments, fixed and call deposits and bank balances;
- (l) Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- (m) Prior period income,
- (n) Any Other Non-Tariff Income:

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

84 RLDC Fees and WRPC Charges

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



Commission.

- 84.2 SLDC shall have to produce documentary proof towards payment of such Charges at the time of Truing up:

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

85 ULDC and SCADA upgradation Charges

- 85.1 ULDC charges as payable by the SLDC in accordance with the relevant Orders for ULDC scheme in the Western Region issued by the CERC / WRLDC / WRPC from time to time shall be allowed to be recovered by the SLDC through the Fees and Charges as approved by the Commission.
- 85.2 Any expenditure incurred for the SCADA upgradation charges relate to Hardware or Software shall be allowed to be recovered by SLDC through the Fees and Charges as approved by the Commission.
- 85.3 SLDC shall have to produce documentary proof towards payment of such Charges at the time of Truing up.

86 Determination of SLDC Fees and Charges

- 86.1 Upon the Commission being satisfied that all the information and clarification sought for by it have been produced and that sufficient opportunity has been afforded to all the parties concerned, the Commission shall pass appropriate orders on the estimated expenses and determine the Fees and Charges recoverable from the Generating Companies, the Licensees and MTOA beneficiaries.
- 86.2 Fees and Charges so determined by the Commission shall be valid till the approval of next revision.
- 86.3 SLDC Fees and Charges along with Grid Connection fees shall be determined by the Commission on the basis of application made by SLDC, for determination Fees and Charges, in accordance with **Chapter 2** of these Regulations.
- 86.4 Revenue from such fees shall be considered for adjustment of Annual Fixed Charges in subsequent Years unless the same forms part of the LDC Development Fund.
- 86.5 Open access users of the Grid shall pay the above charges, as the case may be stipulated by the Commission from time to time.

87 Billing and Collection of SLDC Charges



- 87.1 SLDC shall furnish necessary monthly bills on Generating Companies, Licensees and MTOA beneficiaries for each billing month within seven days after the last day of the preceding month, on the basis of the following formula:

SLDC Charges payable for a month = $(SC/12) * (AC_i/SAC_i)$ where,

SC = Approved SLDC Aggregate Revenue Requirement for the year;

AC_i = Actual installed capacity in case of generating stations/long term and medium term contracted capacities in case of sellers/aggregated allocated capacity and contracted capacity in case of Distribution Licensee/long term contracted capacity in case of buyer for the month 'i';

SAC_i = Sum of Actual installed capacity in case of generating stations (within Gujarat), long term and medium term contracted capacities in case of sellers, aggregated allocated capacity and contracted capacity in case of Distribution Licensee and long term contracted capacity in case of buyer for the month 'i'.

- 87.2 Generating Companies, Licensees and MTOA beneficiaries shall make payment to the SLDC of the amounts due within fifteen (15) days of the date of receipt of the bill.
- 87.3 If the payment is not made within the due date, a penal interest at the rate of one hundred and fifty basis points above the one year SBI MCLR or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing as on 1st April of the respective financial year shall be payable on the unpaid amounts.
- 87.4 Generating Companies, Licensee and MTOA beneficiaries shall arrange payment of the SLDC charges on a priority basis over all other payments except statutory payments.

88 Application for Connection to Grid

- 88.1 Generating Companies, Licensees and other beneficiaries requiring access to the Grid shall submit an application to the SLDC in accordance with the Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011, as amended from time to time, along with Fees stipulated by the Commission in the yearly tariff orders.
- 88.2 SLDC, after scrutinising the application and after being satisfied of the completeness and correctness of the information furnished in the application, shall register the application in SLDC records duly intimating the applicant regarding the acceptance of the same.

89 LDC Development Fund



- 89.1 The Commission may permit SLDC to create and maintain a separate development fund for such purposes and from such sources of income, as the Commission may consider appropriate, on a Petition filed by SLDC.
- 89.2 SLDC shall be entitled to utilise the money available in the LDC development fund for creation of new assets, meeting stipulated equity portion in asset creation, margin money for raising loan from the financial institutions and funding of R&D projects.
- 89.3 The LDC development fund shall not be utilized for revenue expenditure except to meet the short fall, if any, in the annual charges allowed by the Commission or to meet the contingency expenses which were not foreseen at the time of making the application for fees and charges and are considered necessary for the efficient power system operation. However, such draws from the said fund shall be recouped from the expenditure allowed by the Commission under the respective heads at the time of truing up.
- 89.4 Any asset created by the SLDC out of the money deposited into the LDC development fund shall not be entitled for return on equity, interest on loan and depreciation on same principles as in case of grant. SLDC shall submit details of such assets in the CAPEX plan.
- 89.5 For any excess corpus available in the LDC development fund after utilisation for the purpose of undertaking capital expenditure shall be invested by SLDC in appropriate interest bearing instruments only preferably government securities and shall not be a market linked products, with the intent to ensure optimum utilisation of the un-utilised funds.
- Provided that the income earned through these investments will be passed on to the Beneficiaries as part of the Non-Tariff Income.
- Provided that in case the excess corpus is not invested utilised by SLDC in appropriate interest bearing instruments, then the normative interest income, computed at the weighted average Bank Rate, as applicable for the year, shall be included under the Non-Tariff income of the SLDC.
- 89.6 SLDC shall submit the amount accumulated in LDC development fund along with the breakup of sources from where the fund is received. The Commission shall review the LDC development fund every year and issue directions to SLDC for effective utilization of the funds, if required.



CHAPTER 7: DISTRIBUTION WIRES BUSINESS

90 Applicability

90.1 The Regulations contained in this Chapter shall apply to the determination of tariff payable for usage of distribution wires of a Distribution Licensee by a Distribution System User.

91 Components of Aggregate Revenue Requirement for Distribution Wires Business

91.1 Wheeling Charges for Distribution Wires Business of the Distribution Licensee shall provide for the recovery of the Aggregate Revenue Requirement for the respective years of the control period, as approved by the Commission, which shall comprise of the following:

- (a) Depreciation;
 - (b) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed;
 - (c) Interest on working capital and deposits from Distribution System Users;
 - (d) Operation and maintenance expenses;
 - (e) Contribution to contingency reserves, if any;
 - (f) Income Tax;
- minus:**
- (g) Non-Tariff Income; and
 - (h) Income from Other Business, to the extent specified in these Regulations;
 - (i) Income from Wheeling Charges payable by Distribution System Users other than the retail consumers getting electricity supply from the same Distribution Licensee.

Provided that depreciation, interest and finance charges on loan capital & return on equity and/or return on capital employed and interest on working capital and income tax for the Distribution Wires Business shall be allowed in accordance with the provisions specified in **Chapter 3** of these Regulations:

Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, if the income/expenses in that prior period have been allowed on actual basis, on a case to case basis, subject to prudence check.



Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission shall not be allowed to be recovered through the Aggregate Revenue Requirement: whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations:

Provided also that the wheeling charges of the Distribution Licensee shall be determined by the Commission on the basis of an application for determination of tariff made by the Distribution Licensee in accordance with **Chapter 2** of these Regulations:

Provided also that the Wheeling Charges may be denominated in terms of Rupees/kWh or Rupees/kVAh or Rupees/kW/month or Rupees/kVA/month, for the purpose of recovery from the Distribution System User, or any such denomination, as stipulated by the Commission from time to time.

Provided further that the Wheeling Charges shall be determined separately for LT voltage, HT voltage, and EHT voltage, as applicable:

Provided also that in case of a Deemed Distribution Licensee whose tariff is yet to be determined by the Commission till the date of effectiveness of these Regulations, the Commission may determine the ceiling Wheeling Charges that may be charged by such Deemed Distribution Licensee till such time as considered appropriate by the Commission.

92 Operation and Maintenance expenses:

92.1 Operation and Maintenance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten years ending March 31, 2022, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

Provided that the average of such Operation and Maintenance expenses shall be considered as Operation and Maintenance expenses for the Year ended March 31, 2018, and shall be escalated at the respective escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2023;

Provided further that the escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23 shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly



inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

- 92.2 Operation and Maintenance expenses for nth year of the Control Period shall be determined based on the formula shown below:

$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + \text{Terminal Liabilities and other one-time expenses}$

Where,

R&M_n –Repair and Maintenance Costs of Distribution Wire Business for the nth year;

EMP_n –Employee Cost of Distribution Wire Business for the nth year;

A&G_n –Administrative and General Costs of Distribution Wire Business for the nth year;

X_n -Efficiency factor for nth Year. Value of X_n to be considered as zero till such time the same is determined through a study by the Commission.

Provided that the Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check.

- 92.3 It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner as specified below:

(i) $R\&M_n = K * GFA * (1 + \text{Index Esc}_n)$

(ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (1 + \text{Index Esc}_n)$

Where,

‘K’ is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of ‘K’ will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2022) ending March 31, 2022 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

‘GFA’ is the Opening balance of the gross fixed assets of the nth year;

EMP_{n-1} - Employee Cost of Distribution Wire Business for the immediately preceding year;

A&G_{n-1}- A&G of Distribution Wire Business for the immediately preceding year;

Provided that for first year of control period EMP_{n-1} and A&G_{n-1} shall mean



Employee and A&G expenses of the year after the base year (FY 2022-23) i.e. FY 2023-24, as derived using the escalation rate for FY 2023-24 as mentioned below;

Index Esc means the average Inflation escalation to be considered on the basis of weightage of WPI and CPI respectively of the relevant year and to be computed as below:

$$\text{Index Esc}_n = \text{WE}_{\text{CPI}} * \text{CPI}_n + \text{WE}_{\text{WPI}} * \text{WPI}_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

' WPI_n ' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the nth year.

' CPI_n ' (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India {Base Year: 2011-12 Series};

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}

Provided further that the escalation rate for FY 2023-24 and for the complete control period i.e. FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Consumer Price Index (CPI):

Provided further that, in the Truing-up of the O&M expenses norms for any particular year of the Control Period, the escalation rate shall be computed by considering (WE_{WPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Consumer Price Index (CPI).

Note:-

(a) For state government owned Distribution Licensees, Distribution Wire Business $\text{WE}_{\text{CPI}}:\text{WE}_{\text{WPI}}$ is to be considered as 75:25.



(b) For Other Distribution Wire Business $WE_{CPI}:WE_{WPI}$ is to be considered as 45:55.

(c) O&M expenses shall be allowed on normative basis and shall be true-up only to the account of variation in Wholesale Price Index and Consumer Price Index.

(d) The impact of Wage Revision, if any, may be considered at the time of true-up for any Year, based on documentary evidence and justification to be submitted by the Petitioner. Provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.

(e) Any variation in actual and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.

(f) In the case of a Deemed Distribution Licensee whose tariff is yet to be determined by the Commission till the coming into force of these Regulations, the Commission may determine the Operation and Maintenance expenses on a case to case basis.

(g) For the purpose of estimation, the same Index Esc_n value as derived for FY 2024-25 shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values of the WPI and CPI over past ten years including True-up year.

93 Contribution to contingency reserves:

93.1 Distribution Licensee may make an appropriation to the Contingency Reserve of a sum not exceeding 0.5 per cent of the original cost of fixed assets at the beginning of the year, for each year, which shall be allowed in the calculation of aggregate revenue requirement:

Provided that where the amount of such Contingency Reserve exceeds five (5) per cent of the original cost of fixed assets, no such appropriation shall be allowed, which would have the effect of increasing the reserve beyond the said maximum:

Provided that Distribution Licensees shall maintain separate accounts in their books and reflect the balance in the Contingency Reserve Account in the balance sheet.

Provided that the fund under Contingency Reserve shall be kept in a separate bank account and the amount so appropriated may be invested in securities authorised under the Indian Trusts Act, 1882 or any other security within a period of six months of the close of the financial year whereby the investment is required to be restricted to interest bearing securities only preferably government securities and shall not be a



market linked products:

Provided also that if the amount so appropriated is invested in securities, then the actual interest income earned by Distribution Licensee shall be included under the Non-Tariff income:

Provided also that if the amount so appropriated is not invested in securities, then the normative interest income, computed at one year SBI MCLR or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period, as applicable for the year, shall be included under the Non-Tariff income of the Distribution Licensee.

93.2 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 as being:

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

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

93.3 Compensation payable under any law for the time being in force and for which no other provision is made:

Provided that such drawal from Contingency Reserve shall be computed after making due adjustments for any other compensation that may have been received by the Licensee as part of an insurance cover and Government Grant, if any.

93.4 No diminution in the value of contingency reserve as mentioned above shall be allowed to be adjusted as a part of tariff.

94 Allocation Matrix

94.1 The Wheeling Charges of the Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Distribution Wires Business. Every Distribution Licensee shall maintain segregated accounting records for the Distribution Wires Business and Retail Supply Business by the third year of Control Period.

Provided that Distribution Licensee shall be penalised as per Regulation 35.12 of these Regulations, in case it fails to maintain separate books of accounts for the Distribution Wire Business and Retail Supply Business from the third year of Control Period.



Provided further that the guidelines specified by the Commission as per **Annexure V** to these Regulations to be followed

Provided further that in case complete accounting segregation has not been done between the Wheeling Business and Retail Supply Business, the Aggregate Revenue Requirement of the Distribution Licensee shall be apportioned between Wheeling Business and Retail Supply Business in accordance with the Allocation Matrix specified as follows:

Table 12: Allocation matrix for segregation of expenses between Distribution Wires Business and Retail Supply Business

Particulars	Wires Business (%)	Retail Supply Business (%)
Power Purchase Expenses	0%	100%
Intra-State Transmission Charges	0%	100%
Employee Expenses	60%	40%
Administration & General Expenses	50%	50%
Repair & Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest on Long-term Loan Capital	90%	10%
Interest on Working Capital and on consumer security deposits	10%	90%
Bad Debts Written off	0%	100%
Income Tax	90%	10%
Contribution to contingency reserves, if any	100%	0%
Return on Equity	90%	10%
Return on Capital Employed	90%	10%
Non-Tariff Income	10%	90%

Provided further that the Operation and Maintenance expenses shall be allocated between the Distribution Wires Business and Retail Supply Business, by considering the above-specified percentages for employee expenses, administration and general expenses, and repair and maintenance expenses, as weights for determining the weighted average allocation percentage for operation and maintenance expenses:



Provided that any sub-component of the above heads, if is directly attributable to Wire or Supply business, then the same needs to be allocated based on the nature of such Cost / Income.

95 Capital Investment Plan

95.1 Distribution Licensee shall submit detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period:

Provided that all new and augmentation capital investment projects of 220 kV & above voltage level (including associated equipment of downstream voltage level) or having estimated cost excluding land cost of more than 100 Crores, being part of the Distribution Licensee's Capital Investment Plan, shall be implemented through Tariff Based Competitive Bidding (TBCB) in accordance with the guidelines issued under Section 63 of the Act and any deviation from the guidelines should have prior approval of the Commission. The tariff of such Distribution projects shall be discovered under Section 63 of the Act.

Provided further that the Distribution Licensee shall follow guidelines prepared by STU for InSTS projects covered under TBCB under these Regulations, till separate guidelines are framed by the Commission in this regard.

95.2 Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission.

95.3 Distribution Licensee shall be required to ensure that the procurement of the assets have been undertaken in a competitive and transparent manner. Further the assets so capitalized as a part of the approved capital investment plan under these Regulations should necessarily be geo-tagged and properly recorded in Fixed Asset Register (FAR) for allowance of the capitalization of the same by the Commission.

Provided that regarding the Assets already capitalized as on April 01, 2024, the Distribution Licensee shall prepare and submit to the Commission a time-bound plan to undertake the geo-tagging in phased manner, preferably within the Control Period, along with the MYT Petition.

Provided further that the Distribution Licensee must provide access of the details of geo-tagging to the Commission for online monitoring.

95.4 Capital Investment in network expansion in distribution shall be based on load flow



studies and in accordance with the requirements of the State Grid Code.

- 95.5 Distribution licensee shall submit the Capital Investment Plan as specified in **Chapter 2** of these Regulations.
- 95.6 Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value as specified in Guidelines for in-principle clearance of proposed investment schemes as provided in **Annexure III** of these Regulations or such other amount as may be stipulated by the Commission from time to time, and shall be in such form as may be stipulated.
- 95.7 Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the wheeling charges of the Distribution Wire Business.
- 95.8 The Commission shall consider the Capital Investment Plan along with the Aggregate Revenue Requirement for the entire Control Period submitted by the Distribution Wire Business taking into consideration the prudence of the proposed expenditure and estimated impact on the wheeling charges of the Distribution Wire Business.
- 95.9 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.
- 95.10 Distribution Wire Business shall submit, along with the Petition for determination of Aggregate Revenue Requirement on each year of the control period, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

96 Non-Tariff Income

- 96.1 The amount of Non-Tariff Income relating to the Distribution Wires Business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining the wheeling charges of Distribution Wires Business of the Distribution Licensee:

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with its application for determination of wheeling charges.

- 96.2 The indicative list of various heads to be considered for Non-Tariff Income shall be as under:
- (a) Income from rent of land or buildings or other assets;
 - (b) Income from sale of scrap;



- (c) Income from statutory investments;
- (d) Income from interest on Fixed Deposits (including contingency reserve investment);
- (e) Interest on advances to suppliers/contractors;
- (f) Rental from staff quarters;
- (g) Rental from contractors;
- (h) Income from hire charges from contactors and others;
- (i) Income from Insurance claim receipt;
- (j) Income from advertisements, sale of tender document, 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;
- (p) Supervisory charges for contractual works;
- (q) Any Other Non-Tariff Income.

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

97 Income from Other Business

97.1 Where Distribution Wires Business of Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to two-third of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in determining the wheeling charges of Distribution Wires Business of the Distribution Licensee:

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Wires Business and the Other Business and shall submit the Allocation Statement to the Commission, duly audited



and certified by the statutory auditors, along with his application for determination of wheeling charges:

Provided further that Distribution Licensee shall maintain separate books of accounts for regulated and non-regulated business:

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

98 Determination of Wheeling Charges

98.1 The Commission shall specify the Wheeling Charge of Distribution Wires Business of the Distribution Licensee in its Order passed under sub-section (3) of Section 64 of the Act notwithstanding anything contained in this Regulation the wheeling charges applicable to open access customers shall be computed and applied at relevant voltage level:

Provided that the Wheeling Charges payable by a Distribution System User, other than the retail consumers getting electricity supply from the same Distribution Licensee, may comprise any combination of fixed/demand charges, and variable charges, as may be stipulated by the Commission in such Order:

Provided further that the revenue from Wheeling Charges paid by the Distribution System Users under the above proviso shall be used to reduce the Aggregate Revenue Requirement of the Wires Business to be recovered from the retail consumers of the concerned Distribution Licensee, in accordance with the Regulations in **Chapter 8** of these Regulations.

99 Wheeling Losses

99.1 The Distribution Licensee under wire business shall be allowed to recover, in kind, the approved level of wheeling losses arising from the operation of the distribution system:

Provided that the Commission may stipulate a trajectory for Wheeling Losses in accordance with Regulation 18 of these Regulations as part of the Order on the Multi-Year Tariff Petition filed by the Distribution Licensee.



CHAPTER 8: RETAIL SUPPLY OF ELECTRICITY

100 Applicability

100.1 These Regulations shall apply to determination of tariff for retail supply of electricity by a Distribution Licensee to its consumers.

101 Components of Tariff

101.1 Tariff for retail supply by a Distribution Licensee shall provide for recovery of the Aggregate Revenue Requirement of the Distribution Licensee for the financial year, as approved by the Commission and comprising the following:

- (a) Cost of own power generation /power purchase expenses including Inter-State Transmission Charges net of rebate on power purchase;
- (b) Intra-State Transmission charges
- (c) SLDC Fees & Charges;
- (d) Depreciation;
- (e) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed ;
- (f) Interest on working capital and on consumer security deposits;
- (g) Operation and Maintenance expenses;
- (h) Bad debts written off, if any;
- (i) Income Tax;
- (j) Balance Aggregate Revenue Requirement for Distribution Wires Business, as determined under **Chapter 7** of these Regulations, after deducting income from Wheeling Charges payable by Distribution System Users other than the retail consumers getting electricity supply from the same Distribution Licensee;

minus:

- (k) Non-Tariff Income;
- (l) Income from Other Business, to the extent specified in these Regulations;
- (m) Receipts on account of cross-subsidy surcharge;
- (n) Receipts on account of additional surcharge on charges for wheeling;
- (o) Revenue from Sale of Surplus Power (Other than to retail consumers):



Provided that depreciation, interest and finance charges on loan capital & return on equity and/or return on capital employed and interest on working capital and income tax for the Retail Supply Business shall be allowed in accordance with the provisions specified in **Chapter 3** of these Regulations:

Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts if the income/expenses in that prior period have been allowed on actual basis, on a case to case basis, subject to prudence check:

Provided also that all penalties and compensation payable by the Distribution Licensee to any party for failure to meet any Standards of Performance or for damages/accidents, as a consequence of the orders of the Commission shall not be allowed to be recovered through the Aggregate Revenue Requirement: whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations:

Provided also that the receipt of revenue on account of cross-subsidy surcharge shall be considered only at the time of truing up exercise, based on actual receipts as per Audited Accounts.

101.2 Tariff for the Retail Supply Business of a Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Retail Supply Business to be prepared in accordance with the guidelines mentioned in **Annexure V** to these Regulations:

Provided that where Distribution Licensee is not able to submit audited and certified separate accounts for Distribution Wires Business and Retail Supply Business, the Allocation Matrix as provided under Regulation 94 of these Regulations shall be applicable:

Provided further that the Operation and Maintenance expenses shall be allocated between Distribution Wires Business and Retail Supply Business, by considering the percentages specified in the Allocation Matrix for employee expenses, administration and general expenses, and repair and maintenance expenses, as weights for determining the weighted average allocation percentage for operation and maintenance expenses:

Provided further that Distribution Licensee shall be penalised as per Regulation 35.12 of these Regulations, in case it fails to maintain separate books of accounts for Distribution Wire Business and Retail Supply Business from the third year of Control Period.



- 101.3 Tariff for retail supply by Distribution Licensee shall be determined by the Commission on the basis of an application for determination of tariff made by Distribution Licensee in accordance with **Chapter 2** of these Regulations.

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

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

- 101.4 Distribution Licensee may propose other rebates for inter-alia, taking supply at higher voltages, bulk consumption, power factor, etc., as a part of their Petition, and the revenue impact of rebates shall be passed on through the Aggregate Revenue Requirement and tariffs, subject to the Commission's approval.

- 101.5 Distribution Licensee shall be allowed to offer a rebate to the consumers on tariff and charges determined by the Commission:

Provided that Distribution Licensee shall submit details of such rebates to the Commission every quarter, in the manner and format, as stipulated by the Commission from time to time:

Provided further that the impact of such rebates given by Distribution Licensee shall be borne entirely by the Distribution Licensee and impact of such rebate will not be allowed to be passed through to the consumers, in any form:

Provided also that such rebates shall not be offered selectively to any consumer/s, and shall have to be offered to the entire consumer category/ sub-category/ consumption slab in a non-discriminatory manner.

102 Transmission Charges:

- 102.1 Distribution Licensee shall be allowed to recover transmission charges payable for access to and use of the Intra-State Transmission System in accordance with the tariff approved by the Commission under **Chapter 5** of these Regulations.

103 SLDC Fees & Charges:

- 103.1 Distribution Licensee shall be allowed to recover SLDC Fees and Charges payable to SLDC in accordance with the tariff approved by the Commission under **Chapter 6** of these Regulations.



104 Operation and Maintenance expenses:

- 104.1 The Operation and Maintenance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten Years ending March 31, 2022, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

Provided that average of such Operation and Maintenance expenses shall be considered as Operation and Maintenance expenses for the Year ended March 31, 2018, and shall be escalated at the respective escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2023;

Provided further that escalation rate for FY 2018-19, FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

- 104.2 Operation and Maintenance expenses for nth year of the Control Period shall be determined based on the formula shown below:

$$\mathbf{O\&Mn = (R\&Mn + EMPn + A\&Gn) \times (1 - Xn) + Terminal Liabilities and other one-time expenses}$$

Where,

R&Mn –Repair and Maintenance Costs of Distribution Retail Supply Business for the nth year;

EMPn –Employee Cost of Distribution Retail Supply Business for the nth year;

A&Gn –Administrative and General Costs of Distribution Retail Supply Business for the nth year;

Xn -Efficiency factor for nth Year. Value of Xn to be considered as zero till such time the same is determined through a study by the Commission:

Provided that Terminal Liabilities and other one-time expenses shall be allowed separately on actual basis subject to prudence check.

- 104.3 It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner as specified below:



- (i) $R\&M_n = K * GFA * (1 + \text{Index Esc}_n)$
(ii) $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (1 + \text{Index Esc}_n)$

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2022) ending March 31, 2022 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

'GFA' is the Opening balance of the gross fixed assets of the nth year;

EMP_{n-1} - Employee Cost of Distribution Retail Supply Business for the immediately preceding year;

$A\&G_{n-1}$ - A&G of Distribution Retail Supply Business for the immediately preceding year;

Provided that for first year of control period EMP_{n-1} and $A\&G_{n-1}$ shall mean Employee and A&G expenses of the year after the base year (FY 2022-23) i.e. FY 2023-24, as derived using the escalation rate for FY 2023-24 as mentioned below;

Index Esc means the average Inflation escalation to be considered on the basis weightage of WPI and CPI respectively of the relevant year and to be computed as below:

$$\text{Index Esc}_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

'WPI_n' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the nth year.

'CPI_n' (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of Commerce & Industry, Government of India {Base Year: 2011-12 Series};

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau,



Government of India {Base Year: 2001=100}

Provided further that the escalation rate for FY 2023-24 and for the complete control period i.e. FY 2024-25, FY 2025-26, FY 2026-27, FY 2027-28, and FY 2028-29 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2023 for Consumer Price Index (CPI).

Provided further that, in the Truing-up of the O&M expenses norms for any particular year of the Control Period, the escalation rate shall be computed by considering (WE_{WPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year moving average of the yearly inflation of the last ten years including the true-up year for Consumer Price Index (CPI).

Note:

- (a) For state government owned Distribution Licensees' Retail Supply Business $WE_{CPI}:WE_{WPI}$ is to be considered as 75:25.
- (b) For Other Distribution Licensees' Retail Supply Business $WE_{CPI}:WE_{WPI}$ is to be considered as 45:55.
- (c) O&M expense shall be allowed on normative basis and shall be true-up only to the account of variation in Wholesale Price Index and Consumer Price Index.
- (d) Impact of Wage Revision, if any, may be considered at the time of true-up for any Year, based on documentary evidence and justification to be submitted by the Petitioner. Provisioning of wage revision expenses shall not be considered as actual expenses at the time of true-up, and only expenses as actually incurred shall be considered.
- (e) Any variation in actual and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.
- (f) In the case of a Distribution Licensee whose tariff is yet to be determined by the Commission till the coming into force of these Regulations, the Commission may determine the Operation and Maintenance expenses on a case to case basis.
- (g) For the purpose of estimation, the same Index Esc_n value as derived for FY 2024-25 shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values of the WPI



and CPI over past ten years including True-up year.

105 Bad debts written off:

105.1 The Commission may allow bad debts written off as a pass through in the Aggregate Revenue Requirement, based on the trend of write off of bad debts in the previous years, subject to prudence check:

Provided that the Commission shall true up the bad debts written off in the Aggregate Revenue Requirement, based on the actual write-off of bad debts excluding DPC waived off, if any, up to a ceiling of 0.5% of sales revenue during the year, subject to prudence check:

Provided further that if subsequent to the write off of a particular bad debt, revenue is realised from such bad debt, the same shall be included as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realised.

106 Capital Investment Plan

106.1 Distribution Licensee shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for meeting the requirement of load growth, reduction in distribution losses, increase in collection efficiency, metering, consumer services, etc., to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period.

106.2 Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission.

106.3 Distribution Licensee shall submit the Capital Investment Plan as specified in **Chapter 2** of these Regulations.

106.4 Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of a value as specified in Guidelines for in-principle clearance of proposed investment schemes as provided in **Annexure III** of these Regulations or such other amount as may be stipulated by the Commission from time to time, and shall be in such form as may be stipulated

106.5 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the Distribution Wire Business.

106.6 The Commission shall consider the Capital Investment Plan along with the Aggregate Revenue Requirement for the entire Control Period submitted by the Distribution Retail



Supply Business taking into consideration the prudence of the proposed expenditure and estimated impact on Distribution Wire Business.

- 106.7 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.
- 106.8 The Distribution Retail Supply Business shall submit, along with the Petition for determination of Aggregate Revenue Requirement on each year of the control period, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.

107 Sales and Demand Forecast

- 107.1 Distribution Licensee shall make an assessment of demand (MW) during peak and off-peak period and energy requirement (MU) for each month of the ensuing year (Short term) and for next 5 (five) years (Long-term). The peak demand (MW) and energy sales (MU) shall be estimated for each tariff category, sub-category of consumers. The forecast shall be done based on load duration curve explicitly defining the base load and peak load in such a way that adequate unrestricted and uninterrupted (24x7) power supply can be ensured to all categories of consumers.
- 107.2 Distribution Licensee shall submit a forecast of the expected sales of electricity to each tariff category/sub-category and to each tariff slab within such tariff category/sub-category to the Commission for approval along with the Multi-Year Aggregate Revenue Requirement for the entire Control Period, as specified in these Regulations.

Provided that while estimating monthly demand and energy sales forecast, the Distribution Licensee(s) should carry out for at least three scenarios – Optimistic scenario, Business As Usual (BAU) scenario & Pessimistic scenario, duly taking into consideration various factors but not limited to the following:

- (a) Historical as well as current year data
- (b) New consumer addition under various categories
- (c) Change in Consumption Pattern
- (d) Trends with respect to open access, captive consumption, migration behaviour of consumers, existing contract durations etc.
- (e) Growth in the consumption of power intensive sectors
- (f) Weather forecast and seasonal variations;



- (g) Overall economic growth;
- (h) Activities and Enable scenarios for load shifting such as solarisation of Agricultural connections and feeders under various schemes, etc.
- (i) Projected efficiency gains due to implementation of T&D loss reduction initiatives and other improvement programmers;
- (j) Energy Conservation and Energy Efficiency measures planned
- (k) Likely impact of implementation of Demand Side Management (DSM)
- (l) Increase in penetration consumption from Distributed Energy Resources viz. Rooftop Solar and Electric Mobility

107.3 The sales forecast shall be based on past data and reasonable assumptions regarding the future:

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

Provided further that Distribution Licensee shall undertake sales and demand forecast based on methods and tools including load research studies, advance statistical methods including multivariate regression analysis, partial end use method (PEUM), econometric methods, and also explore use of various IT applications, including Artificial Intelligence and Machine Learning (AI/ML) to improve accuracy.

107.4 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 next year and any other factor, which the Commission may consider relevant and approve. the sales forecast with such modifications as deemed fit. The Distribution Licensee(s) shall develop a robust database of all consumers with desired particulars regarding their demand to facilitate the forecasting process in accordance with the direction given by the Commission.

Provided that in the second year of the Control Period, Distribution Licensee shall also submit a detailed load research study, based on consumer, feeder and DT meter data as well as survey information on appliance usage etc., with consumer category wise load curves, for the remaining years of the Control Period.

108 Power Procurement

108.1 Power procurement guidelines



- 108.1.1 Distribution Licensee shall undertake its power procurement during the year in accordance with the power procurement plan for the Control Period, which may include long-term, medium-term and short-term power procurement, approved by the Commission in accordance with these Regulations.
- 108.1.2 All future procurement of short-term or medium-term or long-term power, including Renewable Energy, shall invariably be undertaken through competitive bidding in accordance with Guidelines notified by the Government of India under Section 63 of the Act:
- Provided that in case either no competitive bids are received or the bids received are higher than the prevailing market rates or on any other sufficient reason, then the Distribution Licensee may procure medium-term or long-term power under Section 62 of the Act, subject to fulfilling the conditions specified in Regulation 108.1.3 to 108.1.9 of these Regulations.
- Provided that in case of any proposal for procurement of power through MoU route, the Distribution Licensee shall obtain prior approval of the Commission.
- 108.1.3 Every long-term/medium-term agreement or arrangement for power procurement, including on a Standby basis, by a Distribution Licensee from a Generating Company or Trading Licensee or from another source of supply, and any change to an existing agreement or arrangement shall come into effect only with the prior approval of the Commission:
- Provided that prior approval of the Commission shall not be required for purchase of power from Renewable Energy sources at the generic/preferential tariff determined by the Commission for meeting its Renewable Purchase Obligation (RPO).
- 108.1.4 The Petition for approval of power purchase agreement or arrangement shall include the power procurement plan for its duration:
- Provided that public consultation shall not be required for adoption of tariff discovered through competitive bidding under Section 63 of the Act:
- Provided further that in case of power procurement under Section 62 of the Act, public consultation as stipulated in Regulation 108.1.6 and Regulation 108.1.7 of these Regulations shall be followed.
- 108.1.5 The Petitioner shall submit a duly completed draft Public Notice for the Commission's approval as per the stipulated template, for publication as and when intimated by the Commission.
- 108.1.6 Upon receipt of a complete petition accompanied by the requisite information,



particulars and documents in compliance with the requirements specified in this Regulation, the petition shall be admitted and the Commission or its Secretary or designated Officer shall intimate to the Petitioner that the Petition is ready for publication.

- 108.1.7 The Petitioner shall, within three days of an intimation given to it in accordance with Regulation 108.1.4 of these Regulations, publish a Public Notice, in at least two English and two Gujarati language daily newspapers widely circulated in the area to which the Petition pertains, outlining the salient features of the proposed agreement or arrangement for power procurement and the impact on the power procurement cost and Tariff, and such other matters as may be stipulated by the Commission, and inviting suggestions and objections from the public:

Provided that the Petitioner shall make available a hard copy of the complete Petition to any person at such locations and at such rates as may be stipulated by the Commission;

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

Provided also that the web-link to the information mentioned in the second proviso to this Regulation shall be easily accessible, archived for downloading and shall be prominently displayed on the Petitioner's internet website:

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

- 108.1.8 The Commission shall consider a Petition for approval of power procurement agreement or arrangement having regard to the approved power procurement plan of the Distribution Licensee and the following factors:

- (a) requirement of power procurement under the approved power procurement plan;
- (b) adherence to a transparent process of bidding in accordance with guidelines issued by the Central Government under Section 63 of the Act, or adherence to the terms and conditions for determination of tariff specified under **Chapter 4** of these Regulations;
- (c) competitiveness of the proposed tariff vis-a-vis the tariff prevalent in the market and/or tariff discovered through competitive bidding under Section 63 of the Act;
- (d) availability (or expected availability) of capacity in the Intra-State Transmission System for evacuation and supply of power procured under the agreement or



arrangement; and

(e) need to promote co-generation and generation of electricity from renewable sources of energy.

108.1.9 Upon completion of its consideration of the power procurement agreement or arrangement, the Commission shall:

(a) issue an Order approving the power procurement agreement or arrangement, subject to such modifications and conditions as it may stipulate; or

(b) reject the Petition for reasons to be recorded in writing, after giving the Petitioner an opportunity to be heard.

108.2 **Approval of additional power procurement**

108.2.1 Distribution Licensee may initiate the process of additional power procurement during the year, in accordance with the Guidelines for Procurement of Power by Distribution Licensees issued by the Commission, as amended from time to time and with prior approval of the Commission.

Provided that the prior approval of the Commission shall not be required for purchase of power from Renewable Energy sources at the generic/preferential tariff determined by the Commission for meeting its Renewable Purchase Obligation (RPO).

108.2.2 Where Distribution Licensee is to procure power on a short-term basis or there is a shortfall due to any reason whatsoever, or failure in the supply of electricity from any approved source of supply during the year, for any reason whatsoever, the licensee may enter into a short-term arrangement or agreement for procurement of power through power exchanges or through a transparent process of open tendering and competitive bidding.

Provided Distribution Licensee shall submit its details, including the quantum, Tariff computations, duration, supplier particulars, method of supplier selection and any such other details to the Commission within fifteen days from the date of entering into an agreement or arrangement, as the Commission may require so as to carry out the prudence check.

Provided that in case procurement of short-term power exceeds the approved annual short term procurement plan, the Distribution Licensee shall obtain prior approval from the Commission or any appropriate body as may have been constituted for the purpose by the Commission.

108.3 Any variation, in the quantum or cost of power procured, including from a source other than a previously approved source, that is expected to be in excess of five per cent, of



that approved by the Commission, on a quarterly basis, shall require its prior approval.

Provided that the five per cent limit shall not apply to variation in the cost of power procured on account of changes in the price of fuel for own generation or the fixed or variable cost of power purchase that is allowed to be recovered in accordance with Regulation 115 of these Regulations.

- 108.4 Where Distribution Licensee has identified a new short-term source of supply from which power can be procured at a tariff that reduces its approved total power procurement cost or when faced with emergency conditions that threaten the stability of the Distribution System, or when directed to do so by the SLDC to prevent grid failure, it may enter into a short-term power procurement agreement or arrangement with such supplier without the prior approval of the Commission.

Provided that Distribution Licensee shall submit to the Commission its details, including the quantum, tariff computations, duration, supplier particulars, method of supplier selection and any such other details as the Commission may require so as to carry out the prudence check within fifteen days from the date of entering into an agreement or arrangement.

- 108.5 The Commission may permit any Distribution Licensee to make purchase of power without prior approval subject to competitive and transparent process in the event of an unforeseen and an exceptional situation. However, the Distribution Licensee shall not, thereby, be exempted from demonstrating the need and the reason for departure from a competitive process together with the economic justification for the purchase, the means, whereby, in the absence of competition, the Distribution Licensee proposes to secure the best possible terms and such other information as the Commission may require.

Provided that 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 Aggregate Revenue Requirement, 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;

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



108.6 **Power Procurement Plan**

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

Provided that such power procurement plan shall be submitted for the Control Period commencing on April 01, 2024, along with the Petition for determination of Tariff for the Control Period from April 01, 2024 to March 31, 2029, in accordance with **Chapter 2** of these Regulations;

108.6.2 The power procurement plan of the Distribution Licensee shall comprise the following:

- (a) a quantitative forecast of the unrestricted base load and peak load for electricity within its area of supply;
- (b) an estimate of the quantities of electricity supply from the identified sources of power purchase, including own generation if any;
- (c) an estimate of availability of power to meet the base load and peak load requirement:

Provided that such estimate of demand and supply shall be on month-wise basis in Mega-Watt (MW) as well as expressed in Million Units (MU) in accordance with the Regulation 107 of these Regulations;

- (d) standards to be maintained with regard to quality and reliability of supply, in accordance with the relevant Regulations of the Commission;
- (e) measures proposed for energy conservation, energy efficiency, and Demand Side Management;
- (f) requirement for new sources of power procurement, including augmentation of own generation capacity, if any, and identified new sources of supply, based on (a) to (e) above;
- (g) sources of power, quantities and cost estimates for such procurement.

Provided that the forecast or estimates contained in the long-term procurement plan shall be separately stated for peak and off-peak periods, in terms of quantities of power to be procured (in MU) and maximum demand (in MW) as per Regulation 108.8 of these Regulations:

Provided further that the forecast or estimates for the Control Period from FY 2024-25 to FY 2028-29 shall be prepared for each month over the Control Period:



Provided also that the short-term procurement plan shall be prepared as per Regulation 108.9 of these Regulations.

108.6.3 The Commission shall approve the power procurement plan for the Control Period as part of its Order on the MYT Petition.

108.7 Assessment of Availability of Power

108.7.1 Distribution License shall assess the availability of power from different sources for meeting power demand (MW) and energy required (MU) during peak and off-peak periods for each month of the ensuing year (short term) and for next five (5) years (long term).

108.7.2 Distribution Licensees shall have long-term / medium-term tie up to meet load requirement of at least 75% duration of the fifth year. In case of any shortfall to meet load requirement of 75% of duration of the fifth year through long-term / medium-term arrangement, the Distribution Licensee shall initiate the process of long-term procurement of power.

108.7.3 Distribution Licensees shall have long-term / medium-term tie up to meet load requirement of at least 85% of duration of the third year. In case of any shortfall to meet load requirement of 85% of duration of the third year through long-term / medium-term arrangement, the Distribution Licensee shall initiate the process of medium-term procurement of power.

108.7.4 The assessment of availability shall be based on the relevant information and inputs but not limited to the following:

- (a) share of power from existing generating stations owned or operated by the Distribution Licensee or the State and the Central Sector Generating Plants and other sources of power;
- (b) availability of power from renewable energy sources within and outside the State
- (c) expected share of the Distribution Licensee from new generating stations due for commissioning for which PPA has been signed or in the process of signing;
- (d) power banking arrangements;
- (e) trends in captive power consumption;
- (f) uprating of existing power plants;
- (g) phase out of old stations or non-availability of power due to extended period of maintenance/ renovation & modernization of old generating plants;
- (h) planned maintenance schedules of generating stations;



(i) Renewable Purchase Obligation (RPO)

108.7.5 For assessment / calculation of Peak Demand (MW) and Energy Requirement (MU), the following methodology shall be adopted.

(a) generation from existing hydro generating stations shall be based on average of actual generation during last 3 years with suitable adjustments;

Provided that, in case of new hydro generating stations, availability shall be considered as per applicable norms;

(b) generation from existing State thermal generating stations shall be based on the average of actual generation during last three (3) years with suitable adjustments, whereas generation of existing Central Sector thermal generating stations shall be based on the actual generation in previous year;

Provided that, in case of new thermal generating stations, plant availability factor and auxiliary consumption shall be considered as per applicable norms;

(c) generation from existing renewable energy plants within the State shall be taken as actual generation in the previous year, whereas for new plants, capacity utilisation factor (CUF) and auxiliary consumption shall be considered as per applicable norms;

(d) for existing and new Nuclear Power Plants, the plant availability factor and auxiliary consumption shall be considered as per applicable norms;

(e) transmission losses for both ISTS and Intra-State Transmission System shall be considered same as that of previous year.

Provided that, in case of any deviation from above methodology for assessment of availability of power, proper justification shall be provided.

108.8 Long Term Power Procurement Plan

108.8.1 The long-term Power Procurement Plan in terms of peak demand (in MW) and energy requirement (in MU) shall be prepared by Distribution License for 5 (five) years based on the inputs provided by the Distribution Licensee(s) and taking into consideration of the latest Electric Power Survey (EPS) report of Central Electricity Authority. The plan shall be prepared on monthly basis as per the principles laid down in these Regulations.

108.8.2 Distribution License shall submit Month wise details (with year-wise totals) (both in terms of demand in MW and energy in MU) indicating power expected to be produced from state generating stations, central sector generating stations and other sources of power with whom long-term Power Purchase Agreements (PPAs) have been entered



into, short-term purchases of electricity and power purchase expenses in terms of capacity charge and energy Charge etc.

- (a) Distribution Licensee shall also submit break-up of power purchase cost and quantum of power from each of the generating station, for which expense has been incurred in the past three (3) years;
- (b) breakup of energy requirement (in MU) for consumers in its license area and for trading shall be submitted separately along with the long-term power procurement plan.
- (c) long-term power procurement plan shall be submitted by Distribution Licensee to the Commission as a part of MYT Petition, in accordance with **Chapter 2** of these Regulations;.

108.9 **Short-Term Power Procurement Plan**

108.9.1 Short-Term Power Procurement Plan shall be prepared by Distribution Licensee for peak and off-peak periods in terms of Demand (MW) and Energy Requirement (MU) taking into account the following:-

- (a) weather forecast and seasonal variations;
- (b) power transactions through banking;
- (c) renewable purchase obligation;

108.9.2 The power procurement plan shall be strictly as per Merit Order principle and it shall be the least cost plan with the ultimate objective of providing safe, secure, reliable and quality power supply to all consumers at economically viable tariffs complying to all relevant standards & Regulations;

Provided that the must run Plants/generators shall be exempted from Merit Order principle.

108.9.3 The short-term power procurement plan shall be submitted to the Commission by 30th November of every year as part of annual Tariff Petition, in accordance with **Chapter 2** of these Regulations.

108.9.4 The power purchase quantum and cost shall be calculated based on the estimates for demand and energy requirement.

109 **Non-Tariff Income**

109.1 The amount of Non-Tariff Income relating to the Retail Supply of electricity as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by the Distribution



Licensee:

Provided that the Distribution Licensee shall submit full details of his forecast of Non-Tariff Income to the Commission along with his application for determination of tariff.

109.2 The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- (a) Income from rent of land or buildings or other asset;
- (b) Income from sale of scrap;
- (c) Income from statutory investments;
- (d) Income from interest on Fixed Deposits (including contingency reserve investment)
- (e) Interest on advances to suppliers/contractors;
- (f) Rental from staff quarters;
- (g) Rental from contractors;
- (h) Income from hire charges from contractors and others;
- (i) Income from Insurance claim receipt;
- (j) Income from advertisements, sale of tender, etc.;
- (k) Meter/metering equipment/service line rentals;
- (l) Service charges, supervision charges for contractual works, etc;
- (m) Customer charges;
- (n) Recovery for theft and pilferage of energy;
- (o) Miscellaneous receipts;
- (p) Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- (q) Prior period income,
- (r) Any Other Non-Tariff Income:

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Retail Supply Business of the Distribution Licensee shall not be included in Non-Tariff Income:

Provided further that any income earned by a Distribution Licensee by sale of power to other Distribution Licensees or to consumers as per Section 49 of the Act using the existing power purchase agreements or bulk supply capacity allocated to the Distribution Licensee's area of supply shall be reduced from the Aggregate Revenue



Requirement of the Distribution Licensee for the purpose of determination of tariff.

110 Income from Other Business

110.1 Where the Retail Supply Business of the Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to two-third of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the tariff from retail supply of electricity by the Distribution Licensee:

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement, duly audited and certified by the statutory auditors, to the Commission along with his application for determination of tariff;

Provided further that Distribution Licensee shall maintain separate books of accounts for regulated and non-regulated business:

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

111 Receipts on account of cross-subsidy surcharge

111.1 Cross-subsidy surcharge received by the Distribution Licensee in accordance with the Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011, as amended from time to time, at the rate approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by such Distribution Licensee, at the time of truing up.

112 Receipts on account of Additional Surcharge

112.1 Additional surcharge received by the Distribution Licensee in accordance with the Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011, as amended from time to time, at the rate approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by such Distribution Licensee, at the time of truing up.

113 Distribution Losses

113.1 The Distribution Licensee shall recover the approved level of distribution losses arising



from the Retail Supply of electricity:

Provided that the Commission may stipulate a trajectory for distribution losses for the period from FY 2024-25 to FY 2028-29 in accordance with these Regulations, as part of the Order on the MYT Petition to be filed by the Distribution Licensee under Regulation 18 of these Regulations;

Provided further that while stipulating a trajectory for distribution losses as above, the Commission may take into consideration various factors including trajectory approved by Government of India or State Government under any Scheme;

Provided further that any variation between the actual level of distribution losses and the approved level shall be dealt with, as part of the Truing up exercise.

114 Determination of Tariff

- 114.1 The Commission may categorize consumers on the basis of their load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.
- 114.2 The retail supply tariff for different consumer categories shall be determined on the basis of the average cost of supply, computed as the ratio of the aggregate revenue requirement of the Distribution Licensee for the financial year calculated in accordance with Regulation 101 of these Regulations to the total sales of the Distribution Licensee for the respective financial year.
- 114.3 The Commission shall endeavor to reduce gradually the cross-subsidy between consumer categories with respect to the average cost of supply in accordance with the provisions of the Act.
- 114.4 While determining the tariff the Commission may also keep in view the cost of supply at different voltage levels and the need to minimise tariff shock to any category of consumers.

115 Fuel and Power Purchase Adjustment Surcharge (FPPAS)

- 115.1 Computation of FPPAS:
- (a) For these Regulations “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.
- (b) FPPAS shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed by the Commission in these Regulations, subject to true up, on an



annual basis:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these Regulations;

Provided further that the Distribution Licensee shall make quarterly submissions of the detailed FPPAS computations, duly supported by the documentary evidences, justifying such computations, along with details its charging and recovery from the consumers.

- (c) FPPAS shall be computed and charged by the Distribution Licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the FPPAS on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the Distribution Licensee fails to compute and charge FPPAS within this time line, except in case of any force majeure condition, its right for recovery of costs on account of FPPAS shall be forfeited and in such cases, the right to recover the FPPAS determined during true-up shall also be forfeited.

- (d) The Distribution Licensee may decide, FPPAS or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of FPPAS shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total FPPAS for a Billing Month, including any carry forward of FPPAS over the previous month exceeds twenty per cent of variable component of approved tariff.
- (e) The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through FPPAS shall first be accounted towards the oldest carry forward portion of the FPPAS followed by the subsequent month.
- (f) In case of carry forward of FPPAS, the carrying cost calculated on simple interest basis at the rate of one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing during the relevant year shall be allowed till the same is recovered through tariff and this carrying cost shall be true up in the year under consideration.
- (g) Depending upon quantum of FPPAS, the automatic pass through shall be adjusted in such a manner that,
- i. If $FPPAS \leq 5\%$, 100% cost recoverable of FPPAS by Distribution Licensee



shall be levied automatically using the formula.

- ii. If FPPAS > 5%, 5% FPPAS shall be recoverable automatically as per item (i) of sub-paragraph (g) above. 90% of the balance FPPAS shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the Commission during true up.
- (h) The revenue recovered on account of pass through FPPAS by the Distribution Licensee, shall be trued up later for the year under consideration and the true up for any financial Year shall be completed by 30th June of the next financial year.
- (i) In case of excess revenue recovered for the year against the FPPAS, the same shall be recovered from the Distribution Licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of FPPAS shall be allowed during true up, to be billed along with the automatic FPPAS amount.

Explanation:- For example in the month of July, the automatic pass through component for the power supplied in May and FPPAS, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

- (j) The Distribution Licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and FPPAS recovered, and the detailed computations and supporting documents, as required by the Commission, during true up of the normal tariff.
- (k) To ensure smooth implementation of the FPPAS mechanism and its recovery, the Distribution Licensee shall ensure that its billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.
- (l) The Distribution Licensee shall publish all details including the FPPAS formula, calculation of monthly FPPAS and recovery of FPPAS (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

(m) Formula for Computation of FPPAS:

$$\text{Monthly FPPAS for Nth Month (\%)} = \frac{(A - B) * C + (D - E)}{\{Z * (1 - \text{Distribution losses in\%/100})\} * \text{ABR}}$$

Where,

Nth month means the month in which billing of FPPAS component is done. This



FPPAS is due to changes in tariff for the power supplied in (n-2)th month

A is Total units procured in (n-2)th Month (in kWh) from all Sources including Long-term, Medium-term and Short-term Power purchases (To be taken from the bills issued to Distribution Licensees)

B is bulk sale of power from all Sources in (n-2)th Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost (including the change of fuel cost) = Actual average Power Purchase Cost (PPC) from all Sources in (n-2) month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and Intra-State Transmission Charges in the (n-2)th Month, (From the bills by Transcos to Discom) (in Rs)

E = Base Cost of Transmission Charges for (n-2)th Month. = (Approved Transmission Charges/12) (in Rs)

Z = [{{Actual Power purchased from all the sources outside the State in (n-2) th Month. (in kWh)* (1 – Interstate transmission losses in % /100) + Power purchased from all the sources within the State(in kWh)}}*(1 – Intra-State losses in %) – B]/100 in kWh

ABR = Average Billing Rate for the year as approved by the Commission (in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses as approved by the Commission

Inter-state transmission Losses (in %) as approved by the Commission

Note:

The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted through the true-up approved by the Commission.



Annexure I

DEPRECIATION SCHEDULE

Description of Assets		Depreciation (Straight line) (Salvage Value 10%) (%)
A.	Land under full ownership	---
B.	Land held under lease	
a)	for the purpose of creation of assets	3.34%
b)	for cost of clearing the site	3.34%
c)	Land for reservoir in case of Hydro generating station	3.34%
C.	Assets Purchased New:	
a.	Plant and machinery in generating stations including plant foundations	
	i) Hydro-electric	5.28%
	ii) Steam electric NHRB&Waste Heat Recovery Boilers/Plants	5.28%
	iii) Diesel-electric and gas plant	5.28%
b.	Cooling towers and circulating water systems	5.28%
c.	Hydraulic works forming part of Hydro generating stations	
	i) Dams, Spillways, weirs, canals, reinforced concrete Flumes and siphons	5.28%
	ii) Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks) hydraulic control valves and other hydraulic works	5.28%
d.	Building & civil engineering works	
	i) Offices & showrooms	3.34%
	ii) Containing thermo-electric generating plant	3.34%
	iii) Containing hydro-electric generating plant	3.34%
	iv) Temporary erections such as wooden structures	100%
	v) Roads other than kutcha roads	3.34%
	vi) Others	3.34%
e.	Transformers, transformer (Kiosk) sub-station equipment & other fixed apparatus (including plant foundations)	
	i) Transformers (including foundations) having a rating of 100 kilo volt amperes and over	5.28%
	ii) Others	5.28%
f.	Switchgear including cable connections	



Description of Assets		Depreciation (Straight line) (Salvage Value 10%) (%)
g.	Lightning arrestors	
	i) Station type	5.28%
	ii) Pole type	5.28%
	iii) Synchronous condensor	5.28%
h.	Batteries	5.28%
	i) Underground Cable including joint boxes and disconnected boxes	5.28%
	ii) Cable duct system	5.28%
i.	Overhead lines including cable supports:	
	i) Lines on fabricated steel operating at nominal voltages higher than 66 kV	5.28%
	ii) Lines on steel supports operating at nominal voltages higher than 13.2 kilovolts but not exceeding 66 kilovolts	5.28%
	iii) Lines on steel or reinforced concrete supports	5.28%
	iv) Lines on treated wood supports	5.28%
j.	Meters	5.28%
k.	Self-propelled vehicles	9.50%
l.	Air conditioning plants:	
	i) Static	5.28%
	ii) Portable	9.50%
m.		
	i) Office furniture and fittings	6.33%
	ii) Office equipments	6.33%
	iii) Internal wiring including fittings and apparatus	6.33%
	iv) Street light fittings	5.28%
n.	Apparatus let on hire	
	i) Other than motors	9.50%
	ii) Motors	6.33%
o.	Communication equipment:	
	i) Radio and high frequency carrier system	6.33%
	ii) Telephone lines and telephones	6.33%
p.	I.T. equipments	15.00%
q.	Software	30.00%
r.	Any other assets not covered above	5.28%



THM Total hours in the month

NAFM for each HVDC system shall be calculated separately, as follows:

$$\text{NAFM} = [\sum (\text{TCR} \times \text{hours})] \div [\text{THM} \times \text{RC}]$$

Where,

TCR = Transmission capability reduction of the system in MW

RC = Rated capacity of the system in MW.

For the above purpose, the HVDC terminals and directly associated EHV / HVDC lines of an HVDC system shall be taken as one integrated system.

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

- i. Shut down availed for maintenance or construction of elements of another transmission scheme. If the other transmission scheme belongs to the Transmission Licensee, SLDC may restrict the deemed availability period to that considered reasonable for the work involved.
- ii. Switching off of a transmission line to restrict over voltage and manual tripping of switched reactors as per the directions of SLDC.

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

- i. Outage of elements due to acts of God and force majeure events beyond the control of the Transmission Licensee. However, onus of satisfying the SLDC that element outage was due to aforesaid events and not due to design failure shall rest with the Transmission Licensee. A reasonable restoration time for the element shall be considered by SLDC and any additional time taken by the Transmission Licensee for restoration of the element beyond the reasonable time shall be treated as outage time attributable to the Transmission Licensee. SLDC may consult the Transmission Licensee or any expert for estimation of reasonable restoration time. Circuits restored through ERS (Emergency Restoration System) shall be considered as available.
- ii. Outage caused by grid incident/disturbance not attributable to the Transmission Licensee, e.g. faults in substation or bays owned by other agency causing outage of the Transmission Licensee's elements, and tripping of lines, ICTs, HVDC, etc. due to grid disturbance. However, if the element is not restored on receipt of direction from SLDC while normalizing the system following grid



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incident/disturbance within reasonable time, the element shall be considered not available for the period of outage after issuance of SLDC's direction for restoration.

The format for issuance of Availability Certificate by SLDC is given in Appendix I.

DRAFT



Appendix I

FORMAT FOR ISSUANCE OF AVAILABILITY CERTIFICATE BY SLDC

On the letterhead of SLDC

Ref:

Date:

To,

Sub: Transmission System Availability Certificate for GETCO for _____

Ref:...

With reference to the above, SLDC has received the computation of transmission system availability with interruption details of GETCO network for the year _____, computed in accordance with the GERC MYT Regulations, 2023.

The overall Transmission System Availability of the GETCO network for the year _____, computed in accordance with **Annexure II** of the GERC MYT Regulations, 2023, and after considering the provisions of Regulation 70 of the GERC MYT Regulations, 2023, is as follows:

A) AC System ___%

B) HVDC bi-pole links and HVDC back-to-back stations ___ %

Authorised Signatory

Copy to: _____



Annexure III

Guidelines for Capital Expenditure Approval Framework

1 Background

- 1.1 Section 61 of the Electricity Act, 2003 mandates the State Electricity Regulatory Commission, while specifying the terms and conditions for determination of tariff, shall be guided by the factors which encourage competition, efficiency, economical use of the resources, good performance and optimum investments, to ensure safeguarding of consumers' interest and also recovery of the cost of electricity in a reasonable manner, at the same time.
- 1.2 Further, Section 181 of the Electricity Act, 2003 mandates the State Electricity Regulatory Commission to make Regulations consistent with the Act and the Rules generally to carry out the provisions of the Act. Capital Investment undertaken by the regulated entities is amongst the most vital factor impacting the approval of revenue requirement and tariff determination process entrusted to the State Electricity Regulatory Commission by the Act. Accordingly, it is utmost important to ensure regulating the Capital Investment Schemes proposed by the regulated entities in a transparent and consistent manner to promote competition, efficiency, economical use of the resources, good performance and optimum investments.
- 1.3 Regulation 29 of the Gujarat Electricity Regulatory Commission (Licensing of Transmission) Regulations, 2005 and Regulation 31 of the Gujarat Electricity Regulatory Commission (Distribution Licence Regulations), 2005 empowers the Commission to issue guidelines which the licensees shall comply. With regards to Generating company, these guidelines will be applicable to only those Generating Stations / Units whose tariff is determined by Commission under Section 62 of the Act.
- 1.4 Based on the above, the Commission has specified 'Guidelines for Capital Expenditure Approval Framework' to be followed by all regulated entities whose tariff is being determined by the Commission under these Regulations, setting up the principles for in-principle approval for proposed Capital Investment as well as the approval to be granted to the final completed cost.

2 Submission of Capital Investment Plan

- 2.1 Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit Capital Investment Plan along with Tariff Petition, outlining the major schemes proposed for each year of the Control Period for approval of the Commission.
- 2.2 The five-year Capital Investment Plan shall be submitted by the Utilities as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period.
- 2.3 The capital investment plans should be internally consistent and reconcilable with other relevant proposals and supporting information presented in the submission such as demand projections, network reliability and design criteria. The capital investment plan shall show separately, on-going projects that will spill over into the control Period,



and new projects (along with justification) that will commence in the control Period but may be completed within or beyond the control period. The capital investment plan shall contain the scheme details, justification for the work, capitalization schedule, capital structure and cost benefit analysis (wherever applicable).

- 2.4 In case of Generation and Transmission related investments, the Capital Investment Plan shall be planned considering that the schemes shall be capitalised with a 3-5 year horizon, and a 1-3 year horizon for Distribution and SLDC.
- 2.5 The capital investment plan shall provide the following details:
- (a) Safety Requirement in Compliance with the applicable rules, regulations, standards, codes, etc;
 - (b) Necessity for the investment;
 - (c) Bill of Quantity and Bifurcation of Capital investment wherever applicable;
 - (d) Project Cost Estimation and Cost Benefit Analysis
 - (e) Evaluation of Alternatives and Constraints
 - (f) Risk Analysis
 - (g) Project Monitoring Mechanism
 - (h) Technical Justification and demand projections wherever applicable;
 - (i) Quantifiable Customer Benefits
- 2.6 Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall adopt an objective driven approach for capex planning. These regulated entities should also set clear long-term, medium-term and short-term objectives and categorize capital investment schemes based on the objectives that the schemes intend to achieve. Proper Competitive bidding process shall be followed throughout the preparation of Capital Investment Plan. The proposed investment scheme shall also comply with the applicable rules, regulations, standards, codes, etc.
- 2.7 The Commission will develop a web-based portal for submission, review, approval and monitoring of the Capital Investment Schemes above the threshold limit.
- 2.8 Till development of the web-based portal as mentioned above, the submission, review, approval and monitoring shall be undertaken through physical and / or submission as may be specified by the Commission. .
- 2.9 Utilities shall provide quarterly updates on the status of implementation of all approved DPR Schemes. Updates shall be submitted through the web-based portal and in physical form if the portal is not functional.
- 2.10 Failure to provide updates may result in penalties as determined by the Commission.

3 Requirement of In-Principle Approval



- 3.1 Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall make an application to the Commission for obtaining prior approval of the Commission for schemes involving major investments, which shall also be considered as DPR schemes, and demonstrate to the satisfaction of the Commission that:
- (a) There is a need for the proposed 'major investment', which is being proposed to undertake;
 - (b) the economic, technical and environmental aspects of all viable alternatives to the proposed investment in capital asset scheme has been examined; and
 - (c) the Generation company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, has explored all possible avenues and is sourcing funds in the most efficient and economical manner.
- 3.2 For the purposes of Clause 3.1(a), the term "major investment" means any planned investment in or acquisition of assets or facilities, the cost of which, when aggregated with all other investments or acquisitions (if any) forming part of the same overall transaction, equals or exceeds the following limits:
- (a) Generating Station or Unit of a Generating Company – Rs. 5 Crore;
 - (b) Transmission Licensee – Rs. 20 Crore;
 - (c) SLDC – Rs. 0.50 Crore;
 - (d) Distribution Licensee – Rs. 10 Crore or 0.5% of approved closing GFA of previous trued-up year, whichever is lower;
 - (e) or such other amount as may be specified by the Commission from time to time.
- 3.3 Any one or a combination of the following objectives needs to be fulfilled by the proposed Capital Investment Schemes for being considered for In-Principal approval:
- (a) Development of new infrastructure to meet the forthcoming load requirements.
 - (b) Augmentation of the capacity of existing projects or systems.
 - (c) Enhancement in the transformation capacity of existing infrastructure.
 - (d) Revenue optimization from existing and new assets.
 - (e) Improvement in the operational efficiency of existing systems.
 - (f) Extension of the Useful Life of the entire project, scheme, or assets.
 - (g) Replacement of assets that have completed their Useful Life and are beyond repair.



- (h) Improvement in the quality and reliability of power supply.
- (i) Reduction in maintenance requirements.
- (j) Renovation and Modernisation for life extension of the entire project.
- (k) Compliance with environmental norms and regulations.

Provided that Renovation and Modernisation Schemes shall be in accordance with relevant Guidelines notified by the Central Electricity Authority (CEA).

- 3.4 In case of asset replacement, it shall not be approved merely because the asset has completed its Useful Life as specified in the applicable Regulations. The Applicant will have to submit adequate justification for the asset replacement based on aspects such as residual life as certified by a competent agency, performance degradation based on diagnostic testing, and assets beyond repair.
- 3.5 The certificate from a competent agency, as referred above, shall be required only in cases where the replacement of assets is premature without completion of regulated life or obsolescence of the technology, and there are alternatives to replacement under capital expenditure.
- 3.6 Replacement of assets shall be the last resort and not the first priority. While proposing assets for replacement, only essential scope shall be considered to optimize the project cost.
- 3.7 The Capitalisation under Non-DPR Schemes is limited to 20% of total capital expenditure proposed to be undertaken by the utilities in a control period and will not require a prior approval by the Commission. It is also necessary that the Capital Investment Scheme proposed by the Petitioner should be for entire independent system and the Scheme should not be submitted in parts.
- 3.8 For the purpose of these guidelines, a Capital Investment Scheme means any non-recurring capital expenditure programme for the acquisition, construction or improvement of a permanent facility in a particular sector (i.e. Generation, Transmission, Distribution, General, etc.) or a geographical region.
- 3.9 Further, the Capital Investment Schemes proposed by the Applicant shall be for entire independent system including any associated upstream/downstream works, and the Schemes shall not be submitted in parts Capital Investment Schemes of a value below the values specified by the Commission and shall be considered as Non-DPR Schemes.

4 Submission of Detailed Project Report (DPR) for In-Principle Approval

- 4.1 For those Capital Investment Schemes which equals or exceeds the threshold limit as specified in Clause 3.2 above, the regulated entity should submit DPR for the Commission's In-Principle Approval with a broad Cost-Benefit Analysis.
- 4.2 The DPR must clearly outline the scope and objectives of the proposed Scheme and explain how the Scheme meets the evaluation criteria mentioned in the same.



- 4.3 The DPR must be accompanied by such information, particulars and documents to support the details contained in the plan including technical reports, design criteria, supplier/contractor quotations, term sheets of financing agencies etc., as may be required to enable assessment of the nature involved in ex-ante, in-principle clearance and shall provide an Overview of the Scheme (Name of the Scheme, Date of approval by Competent Authority, Final or tentative location including GPS Coordinates, Brief Scope of Work, Objective of the Capital Investment, Technical Specifications of scope of work, Estimated Cost and basis of same, Completion Schedule, Checklist of Supported Documents, Overall Cost Benefit Analysis, Any other Relevant document based on nature of work) and Justification of the Scheme (All Transmission and Distribution Schemes shall be prepared considering overall system requirement, existing infrastructure and ongoing capital investment projects, and not only for specific area, in order to ensure against over-investment in certain districts/areas; Urgency of the capital investment in terms of scope for and impact of phasing and/or deferment, as well as implications of not undertaking the capital investment; Activity-wise Single Line Diagram of relevant areas; Detailed route survey for Transmission Schemes; any other Technical and Financial Justification Documents required by the commission based on the case.
- 4.4 The DPR should also specify the following:
- (a) methodology by which the Scheme's progress can be monitored and corrective action to be taken in case of any deviation from the schedule including geo-tagging, etc.;
 - (b) methodology for verification of Scheme being put to use and projected percentage utilization of the assets for the first five years after commissioning of proposed capital investment;
 - (c) details of required upstream/downstream arrangements, if any, for realisation of the benefits from the proposed Scheme, and their status and programme for their completion;
 - (d) list and status of Statutory Clearances/Approvals required to execute the project;
 - (e) Physical and financial constraints, if any, in execution of the Scheme, and identification of all possible delays and their causes and proposed mitigation measures.
- 4.5 The Commission shall also lay down formats for submission of DPR so as to facilitate the assessment.

5 Approval Process

- 5.1 The Commission shall adopt the following checkpoints for the Approval of Capital Investment of schemes:



- (a) In-Principle Approval
 - (b) Final Approval during the Tariff Determination Process and/or ARR Review.
- 5.2 In-Principle Approval: The Commission shall initially grant 'In-Principle' approval of Capital Investment of Schemes after examining the necessity and techno-commercial feasibility of Capital Investment Scheme containing the detailed information about the proposed scope of work in scheme so as to execution of work could be taken up by Power Utilities.
- 5.3 Evaluation Criteria to be adopted by the Commission for 'In-Principle' Approval: The initial approval of the Commission before implementation of capital works schemes is an In-Principle approval mainly keeping in view the following:
- (a) Safety Requirement
 - (b) Necessity of Investment
 - (c) Bill of Quantity and Project Costing Estimation
 - (d) Cost Benefit Analysis
 - (e) Evaluation of Alternatives and Constraints
 - (f) Risk Analysis
 - (g) Project Monitoring Mechanism & Execution Timeline
 - (h) Technical Justification
 - (i) Quantifiable Customer Benefits
- 5.4 While submitting the DPR, Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be would need to address the above evaluation criteria for the proper justification for approval of Capital Investment plan. The illustrative explanation for such justification is as provided below:
- (1) *Safety Requirement:* To ensure that all necessary obligations are being met as per Electricity Act, 2003, and all other applicable Rules, Regulations and to highlight any statutory violation along with steps taken to safeguard the same, provided appropriate sanctions of competent authority and clearances from concerned departments/ministries is available.
- (i) Whether the scheme is necessary to discharge the duty/obligation as per Electricity Act, 2003 or to meet any other statutory or safety requirement. (If the scheme is likely to result in violation of any provision of the Electricity Act, 2003, and/or any other applicable Rules, Regulations the same should be mentioned clearly and the safeguards for this should also be brought out.)
 - (ii) Whether the proposal is accompanied with appropriate sanctions of the



competent authority and statutory and safety clearances from concerned departments/ministries, wherever such sanctions or clearances are required? The Commission may grant the conditional approval if only the forest clearance is to be obtained but the work shall not commence until the clearance is received.

(2) *Necessity for the Investment:* To determine if it's needed to make the Capital Investment in infrastructure to meet current and future needs, to check if the equipment is operating as intended, or extend the lifespan of existing assets for a more reliable system and improved efficiency as may be applicable. It is an important step to ensure if the facility is being created as a multiple use asset or an existing asset can fulfil the function being served by the proposed utility.

- (i) Whether equipments proposed to be replaced are operating close to their rated capacities and equipments are required to reduce the load on the existing equipments to prolong its life, to increase the reliability of the system and to facilitate the creation of back up facility during scheduled maintenance operation?
- (ii) Whether the capital investment is necessary to set-up the infrastructure required to meet normal load growth or to reach new Consumers?
- (iii) Whether the investment is necessary for increasing administrative efficiency which in turn will result in better services to the consumers?
- (iv) Whether the investment results in duplication of existing infrastructure (owned by any other utility, or that utility itself)?
- (v) Are the assets or facilities being created multiple use assets which can be used in some other business, and to what extent?
- (vi) Whether it meets at least the near future demand growth projections?
- (vii) Any other reason?

(3) *Bill of Material (BoM) and Project Costing estimation:* This is a necessary step to ensure the correctness of the cost etc. and to maintain consistency amongst the proposed technical drawings, single line diagrams, Grid maps of the concerned areas and applicable standards from competent authorities such as Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 are adhered to. The BoM, hence, needs to be complete in all aspects such as equipment/asset quantities, description, specification, supplier information etc.

- (i) Whether the complete documentation of Bills of Material (BoM) is done containing specific components, assemblies and sub-assemblies for a project.



utility shall ensure key element checks as outlined below in preparation of BoM:

- **Completeness:** BoM should be complete in all respect relating to quantity, part description, item specification, supplier information, etc.
- **Consistency:** Information in BoM should be consistent with that provided in engineering drawings and design files.
- **Correctness:** Correctness should be ensured by avoiding errors such as obsolete data and incorrect part numbers, quantity, etc.

(4) *Cost Benefit Analysis:* The proposal should quantify the benefits of the Capital Investment scheme such as reduction in losses, access to new customers, reliability of supply, and any other benefit. This step acts as an important safeguard to ensure the Return on Investment is justifiable from the consumer's point of view. The utilities should also provide the methodology used for calculating the benefits to ensure consistency across the utilities.

- (i) Utility shall carry out Benefit to Cost Analysis for all projects being taken up irrespective of the value of works. It may use any or a combination of formal financial criteria, such as Net present value (NPV), Internal rate of return (IRR), Return on investment, Payback period, Benefit to Cost Ratio.
- (ii) The proposal shall bring out quantifiable physical benefits such as Reduction in transmission / distribution losses, Reduction in the load on existing system, Improvement in voltages, Reliability of supply, and any other benefits.
- (iii) projects can provide a wide range of benefits—economic, social, and reliability—to the consumers. Social and Government driven schemes need not be subject to investment analysis.
- (iv) Is the proposed investment a necessity for the conduct of business, or is it a luxury, the burden of which is being passed on to consumers. Or the Return on Investment justifiable from the consumer's point of view.
- (v) The utilities shall also propose the methodology of measurement of the benefits accruing out of the investment.

(5) *Evaluation of Alternatives and Constraints:* To ensure that the petitioner has considered alternative approaches, the Petitioner should justify the basis on which proposed scheme has been selected out of the alternatives considered to ensure the least cost plan with maximum benefit has been proposed. For example assessment of the fact that whether the scheme can be carried out under Operational Expenditure Scheme or O&M Budget. This step also needs the Applicant to ensure that all the



constraints in proposed scheme have been envisaged and mitigation methods are prepared.

- (i) Whether other alternative schemes have been considered. (If so, the basis on which the proposed scheme has been selected out of several alternatives considered by the Utilities will have to be mentioned.)
- (ii) If the proposed investment includes repair and maintenance of substations then since the expenses of repairs are already provided for in the O&M expenses and, therefore, justification for claiming these expenses under capital investment must be clearly brought out.
- (iii) The alternatives should be analysed in terms of their respective cost and benefits, to finalize the least cost plan with maximum benefits

(6) *Risk Analysis:* A scheme level detailed risk analysis matrix is necessary to be submitted depending on the value and criticality of the project. The risks to consider may include but are not limited to design, procurement, financing, RoW, construction etc. This ensures alternatives and associated risks have been evaluated during the planning process.

- (i) Whether the utility had assessed risk associated with a project and all its alternatives during planning phase. (A risk management plan/ matrix/ strategy to mitigate such risk and its impact, should address these risks in all phases of the project- viz, design, approvals, financing, procurement, construction, completion and have mitigation strategies for various risks.)
- (ii) A detailed risk evaluation matrix should be prepared at a scheme level or project level depending on the value, scale and criticality of the project.
- (iii) Whether the utility had ensured the evaluation of risks for the minor works as well. (The DPR/Estimate copies should include a minimum of a write-up on the possible issues/risks that the Field Officer foresees in implementation of the said project.)

(7) *Project Monitoring Mechanism & Execution Timelines:* Any foreseeable delay due to certain project risks must be incorporated within the DPR during the planning phase to account for scheduling, pre-award activities and avoid time and cost over-runs. Documents such as PERT Chart/Gantt Chart etc. showing completion stages and to assess whether alternative plans for delays have been evaluated.

- (i) Whether the utility has developed standard timelines for execution of different types of capital works. (it can be included in the form of Bar/PERT charts in the DPR outlining the schedule of project pre-award activities, supply, erection and commissioning schedules etc.)



- (ii) Whether any delay foreseen due to certain project risks, have been identified in the planning stage and appropriate duration have been factored in the standard timelines and incorporated in the agreements with contractors and vendors?

(8) *Technical Justification:* The step ensures that the scheme meets the design criteria in keeping with prevailing norms and standards and that the useful life of assets has been assumed correctly. This also ensures that sufficient steps have been taken to accommodate for the projected growth in demand and rate of obsolescence of technology.

- (i) Whether the scheme conforms to the planning criteria of the Central Electricity Authority for long term and CTU/STU for short term?
- (ii) Whether the scheme meets design criteria in keeping with prevailing norms and standards?
- (iii) Whether the replacement of old equipment is necessary and, if so, whether the existing equipment has outlived its normal life span?
- (iv) Is the Useful life of the equipment reasonable?
- (v) What is the average rate of technology obsolescence for that equipment?
- (vi) Does the investment increase the efficiency in Operations and Maintenance & improve reliability of Supply?
- (vii) Whether the capacity planned is commensurate with demand growth?
- (viii) Whether the scheme is being executed in different phases over a period of time. (If so, the schemes completed and the schemes now proposed to be taken up will have to be clearly mentioned.)

(9) *Quantifiable Benefits:* A detailed scrutiny of the fact that the perceived benefits are quantifiable and verifiable and necessary data, justification and documentary evidence with methodology adopted for calculation has been specified.

- (i) What are the broad quantitative and qualitative benefits?
- (ii) What is the likely net impact on consumers over a 5-year period considering the recurring costs and broad Cost-Benefit analysis?
- (iii) Is the Return on Investment justifiable?
- (iv) What are the results / benefits observed so far, if applicable?

5.5 Letter for 'In-Principle' Approval: At the stage of 'In-Principle' approval, the cost proposed by the Utility is on estimated basis. The Commission shall give 'In-Principle' approval to the schemes, indicating estimated cost scope and objective of work, funding arrangement, time frame for phasing out expenditure, list of major items with



their ratings and quantities, etc. It's to be noted that the In-principle should not be considered as the final approval for the ARR purpose, and the scheme will be open for scrutiny during the tariff determination process/ARR review, particularly in the context of actual cost incurred, scope and objectives achieved, etc.

- 5.6 Final Approval during the Tariff Determination Process and/or ARR Review: The final approval of capital outlay consequent to implementation of a scheme will be granted at the time of True-up (post capitalization) after a diligent and proper prudence check and verification of the actual cost, actual quantity of material used, proper implementation of the scheme and after verifying that all legal clearances like Environment clearance, Electrical Inspector's permission etc, have been obtained. The final approval of capital cost consequent to implementation of a scheme shall take into consideration the prices emerging through the competitive bidding process and the quantities for all major items as indicated in "in-principle" approvals of various schemes. The Utility, seeking final approval, shall furnish copies of the purchase orders, sales invoices, delivery challans, etc. of the manufacturer relating to goods for which capitalization has been proposed. The Utility shall maintain a record of all 'In-Principle' approvals granted by the Commission, including the quantities of major items contained therein. The Commission shall require the utility to link the quantities contained in purchase orders/work orders placed by them with the quantities contained in various 'In-Principle' approvals granted by the Commission from time-to-time.
- 5.7 An indicative list of parameters for prudence check during the final approval are as follows:
- (a) Variation in quantities actually used with respect to quantities considered in the scheme;
 - (b) Variation between approved and completed cost of equipment and phasing of investment;
 - (c) Whether the Applicant has submitted all the essential data and justifications;
 - (d) Whether the states objectives as submitted at the time of in-principle approval have been achieved;
 - (e) Date of asset Capitalisation and whether the asset has been put to use, geo-tagged and included in the FAR;
 - (f) Actual Cost benefit Analysis;
 - (g) Variation in funding of capital investment
- 5.8 Any mismatch between amount of Capitalisation claimed in the True-up Petition with the capitalisation reported in Completion Reports may lead to disallowance of the excess capitalisation, unless found justified after prudence check.
- 5.9 The Commission may reject the application for in-principle approval if it finds that the scheme is not in accordance with the objectives set forth these Guidelines or if the



DPR is found to be lacking in material particulars. The reasons for such rejection shall be communicated to the Applicant in writing.

6 Project Monitoring:

- 6.1 The Utility shall institute a project management and monitoring team (PMO) with a composition of technical and finance personnel to effectively track, monitor and review the progress of projects undertaken.
- 6.2 The Utility shall keep a quarterly record of all the works executed and categorized. The same shall be available for review for the Commission at any point of time. An Indicative list of information need to be maintained are as following:
 - (a) Date of completion of the work
 - (b) Estimated value of the work as per the estimate/DPR
 - (c) Amount Categorized
 - (d) Design of Capex Guidelines
 - (e) Date of Categorization
 - (f) Delay in Categorization
 - (g) Reasons for any delay in categorization
- 6.3 A summary report should be submitted to the Commission for all completed projects, ongoing projects along with its details with focus on time overruns, cost overruns and other related issues on a quarterly basis.
- 6.4 Status report must mention the status of implementation of each scheme in term of expenditure incurred and item wise physical progress achieved during the implementation of the scheme.
- 6.5 After completion of each project, the project is automatically subject to prudence check. The utility should immediately communicate to the Commission the date of completion of the scheme, the scope and objectives of the scheme and to what extent they have been achieved, etc. utility shall measure the benefits achieved for a period of 3 months and fill the capex prudence formats, self-evaluate the project and submit the report along with findings to the Commission.
- 6.6 The Commission can call for details for sample projects from among the completed projects on a random basis in a specific month. Commission may ask for supporting documents or ask for explanation in case of any particular project.

7 Prudence Check for Approval of Completed Cost of Non-DPR Schemes

- 7.1 The final approval of completed cost of Non-DPR Schemes after the asset is put to use may be sought along with the claim for true-up, in accordance with these Regulations.



- 7.2 The Commission shall allow capitalisation of Non-DPR schemes based on the prudence check, subject to the cap against capitalisation of Non-DPR schemes specified in these Regulations.

8 Consequences of not obtaining In-Principle Clearance

- 8.1 Failure to obtain the 'In-Principle' clearance of the Commission, the Commission may disallow the recovery of such expenditure / cost in the tariff order or pass such other orders, as the Commission may consider appropriate.
- 8.2 Based on the information provided by the Utility as per the process as specified in the previous paragraphs, the Commission may, disallow recovery of such cost in the tariff order or pass such other orders, as the Commission may consider appropriate.

9 Time Frame

- 9.1 Utilities may apply for In-principle approval of DPR Schemes once in every quarter of each financial year and any filings done after the end of financial quarter will be considered along with the filings of the next quarter.
- 9.2 The Petitioner shall submit a list of all capital investment schemes planned to be undertaken for a financial year on or before 120 days from the start of the respective financial year and only those Schemes shall form part of the ARR which have been approved prior to the start of financial year.
- 9.3 Utility should submit the DPR of Capital investment schemes, along with supporting document as described in the above section to the Commission's for 'In-Principle' Approval before implementation of capital works schemes;
- 9.4 With effect from second year of the Control Period, only those DPR Schemes shall form part of the approved ARR, which have been submitted and approved through the Capital Expenditure Approval Framework.
- 9.5 Further, the ongoing Capex Schemes and Schemes projected in the first year of the MYT Period shall also be submitted separately for Commission's review and approval, on post-facto basis, in accordance with Capex Approval Framework.
- 9.6 In case of existing Distribution Licensees supplying in SEZs, SIRs, Ports and new Distribution Licensees, recovery of expenses attributable to the capitalized assets, i.e. depreciation, interest on loan, RoE and / or RoCE shall be allowed on pro-rata basis till the asset loading attains forty (40) percent, while the unrecovered portion of expenses will be deferred without any interest cost.
- 9.7 Acceptance of the DPR can be done within 30 days of submission, only upon receipt of a complete feasibility report accompanied by the requisite additional information, particulars and documents in compliance with the requirements specified in this guideline.
- 9.8 The Commission shall issue the 'In-principle' clearance letter within 90 days of acceptance of submission, if the Commission found the proposed scheme prudent as per the aspects mentioned in these guidelines.



- 9.9 Utilities shall submit the quarterly progress report by the end of every financial quarter giving the status of implementation of each scheme.
- 9.10 In case the Utilities fail to initiate the work, including tendering process if any, within one year from the date of issuance of 'In-Principle' clearance letter, the approval shall be deemed to be cancelled. The Utility will have to re-submit the fresh DPR for the scheme, in order to obtain revised 'In-Principle' clearance of the Commission with justification for the delay in scheme initiation.

10 Standard Cost Sheet to be maintained by the Transmission Licensees and Distribution Licensees

- 10.1 Transmission Licensees shall submit the Standard Cost Sheet for all capital items procured by them based on latest rates discovered through competitive bidding, to the State Transmission Utility (STU) for validation within two (2) months of notification of these Regulations.
- 10.2 STU shall forward the validated Standard Cost Sheet for the Transmission Licensee to the Commission within three (3) months of notification of these Regulations.
- 10.3 Distribution Licensees shall prepare and submit the Standard Cost Sheet to the Commission within three (3) months of notification of these Regulations, for all capital items procured by them based on latest rates discovered through competitive bidding with the supporting documents or latest Board approved standard rates, as applicable, which may be validated by Officers of the Commission.
- 10.4 Transmission Licensee and Distribution Licensee shall update the Standard Cost Sheet annually by 31st May based on the latest discovered rates and submit the same to the STU and Commission, respectively:
- Provided that the STU shall validate the periodic submissions of the Transmission Licensee and forward validated Standard Cost Sheet to the Commission within one (1) month of receipt of the updated Standard Cost Sheet from the Transmission Licensee.
- 10.5 The Standard Cost Sheet shall be the reference document for estimation of item-wise capital cost by the Applicant while seeking in-principle approval of DPR Scheme:
- Provided that the Scheme shall be executed as per the price discovered through the competitive procurement process.
- 10.6 For exceptional items not listed in Standard Cost Sheet, the Applicant shall provide budgetary quotations from multiple vendors for estimation of capital cost of such items or procurement costs for earlier periods as a reference.
- 10.7 The Applicants shall ensure that Standard Cost Sheet is maintained for the major equipment contributing to around 60 percent to 70 percent of the total Scheme cost, comprising inter-alia, cables, conductors, transformers, meters, transmission towers, switchgears, GIS, SCADA, Protection Systems, etc.
- 10.8 If the Applicants do not submit the updated Standard Cost Sheet, the Commission



shall approve the Scheme as per the available Standard Cost Sheet without any escalation:

Provided that the cost data in the Standard Cost Sheet shall not be more than two years old.

11 Web Portal

- 11.1 The Commission will develop an online portal for submission, review and approval of DPR schemes.
- 11.2 Till development of such online portal by the Commission, the Utilities shall file for in-principle approval of DPR Schemes once in every quarter of each financial year and any filings done after the end of financial quarter will be considered along with the filings of the next quarter.

12 Miscellaneous

- 12.1 The Commission retains the power to add, vary, alter, amend, change, modify or otherwise substitute the above guidelines or any part thereof in such manner and at any time the Commission may consider appropriate. The Utility shall not claim any vested right in the facility given by these guidelines, if the Commission decide to add, modify, alter, change etc the guidelines or any part thereof.
- 12.2 Without prejudice to the above the Commission may at any time direct the Utility to comply with such further or other conditions as the Commission may consider appropriate for undertaking investments.
- 12.3 Prior In-principle approval is not required for schemes falling under Non-DPR Schemes, Schemes where 100% of the funding is through Grants or Schemes that fall under emergency works. In case of emergency works, the petitioner needs to intimate the Commission within 15 days from start of work and DPR needs to be submitted for approval after the work begins.
- 12.4 The prior In-principle approval granted by the Commission is subject to Appeal before higher Courts in same manner as any other order for Capital Investment issued by the Commission to improve transparency in the Capital Investment approval process.
- 12.5 In case capital cost has been incurred towards replacement or upgradation of any existing assets, the original cost of the replaced asset shall be reduced and decapitalized from the Capital Cost.



Annexure IV

Computation of Mean Time Between Failure for Thermal Generating Station or Unit

Mean Time Between Failure means the arithmetic mean of time between failures of the Generating Unit, excluding planned outages.

Mean Time Between Failures shall be computed as under:

$$\text{Mean Time Between Failure (MTBF) in days} = \frac{\sum_{i=0}^n (Dt_i - Ut_i)}{N}$$

Dt = Start of Downtime, i.e., time at which event of tripping of Generator of Generating or Unit has happened;

Ut= Start of Uptime, i.e., time at which Generator has been restored in the grid after preceding forced outage or failure;

N= Number of failures or forced outages in the year; and

n = Time period, i.e., one year

Provided that planned outages, grid failure, zero scheduling, and reserve shutdown shall not be considered for computation of Mean Time Between Failure:

Provided further that the difference between Start of Downtime (Dt) and Start of Uptime (Ut) shall be calculated in days or fractions thereof:

Provided also that the Generating Company shall submit MTBF for each Generating Station or Unit, as the case may be, for respective year at the time of truing up, duly certified by SLDC.



Annexure V

Guidelines for Allocation of Assets and Cost for Distribution Business

- 1 Allocation of assets between wires, supply and common and further allocation of common assets between wires and supply**
- 1.1 The Distribution Licensees need to form three Asset Groups - Wires function, Supply function and Common to Business function.
- 1.2 The Supply Function Assets Group would include, but may not be limited to the following:
 - (a) All assets related to consumption analysis and audit, billing and payment facilities such as IT hardware and software for consumption analysis, billing, etc., cash collection centers, automated payment kiosks, consumer care centers, etc.
 - (b) Apps for allocation of meter readers, for billing and payment, if any.
- 1.3 The Distribution Licensees may propose inclusion of other assets and facilities within Supply Function, citing adequate reasoning and justification.
- 1.4 Common to business assets will comprise of those assets and facilities that cannot be earmarked either to Wires business or to Supply business. The assets in Common to business function of distribution could include but not be limited to the following types of assets:
 - (a) Administrative office buildings of Licensees, including corresponding land parcels.
 - (b) Furniture and fixtures, electrical and electronic appliances and other electrical works, security systems, etc. used in various administrative offices.
 - (c) Common vehicles for use by officers or employees of Licensees, not dedicated to network maintenance functions or retail supply function.
 - (d) Common to business IT software and hardware, including communication facilities, IT hardware for employees and other IT hardware, including monitors, webcams and other communication hardware used in offices, office-use softwares and Licenses, etc.
- 1.5 The Distribution Licensees may propose inclusion of other assets and facilities within Common to Business Function, citing adequate reasoning and justification.
- 1.6 After identification and exclusion of Supply dedicated and Common to Business assets, the remaining assets of the Distribution Licensees shall be classified under Wires dedicated function. Further, as more and different type of assets get added in business, the Distribution Licensees shall analyse the primary nature of such assets and allocate them to Wires function, Supply function or Common function and present the same with adequate reasoning and justification during tariff determination process and the Commission, based on prudence check, shall appropriately consider those assets and facilities in corresponding functions.



1.7 The Common to Business assets shall be further allocated to Wires and Supply dedicated functions using the Wires and Supply dedicated asset ratio.

2 Formation of purpose-based asset bundles for wires function

2.1 The assets dedicated to Wires function as identified shall be divided into three groups:

- (a) assets that voltage identifiable i.e. those assets that clearly and specifically pertain to a single voltage class;
- (b) assets that exist along the boundary of two voltages i.e. power transformers and distribution transformers which serves more than one voltage and
- (c) assets that belong to network (wires) business but are not specific to any voltage level and can be utilized across all or multiple voltage levels within the network.

2.2 The identified Wires dedicated assets shall be Bundled based on same-purpose. For example, in a Distribution Substation, there are station batteries, which are otherwise rated at Low Voltage, but batteries are an integral part of the substation and therefore it cannot be that batteries are put in Low Voltage, while other equipment in substation is classified under high voltage.

2.3 The identified asset groups and bundles and indicative list of individual same-purpose assets to be included in the corresponding bundle shall be as indicated below:

Main Group	Suggested bundle	Inclusions
Boundary assets	Distribution Substation	Power Transformer, all associated civil structures, land, cables and wiring, relays, switchgear, control panels, lightning arrestors, capacitor banks, station batteries, station transformers, earthing equipment and all other appertuant apparatus being part of the substation
Boundary assets	Consumer Substation	Distribution Transformer, all associated civil structures, associated land, relays, cables and wiring, if any, switchgear, control panel, capacitor banks, earthing equipment and other appertuant apparatus, being part of the substation
Voltage Identifiable	Voltage-wise Line	Overhead Line and associated towers, tower plinth, insulators, gantry and other installed equipment
		Underground cable and cable ducts, if any
		Relays, if any, installed and in case of LT lines, including Distribution Pillars / Boxes, tiles, joints, etc. as installed
Voltage identifiable	Meters	Grid Meters as per voltage of installation
		Consumer Meters and associated metering accessories including CT/PT as per connectivity voltage level



Main Group	Suggested bundle	Inclusions
		Meter housing, boards
Common Voltage	Others	Maintenance vehicles
		SCADA, DMS, OMS, Network Planning software and hardware
		AMR infrastructure including remote meter communication assets and facilities
		Tools and equipment not voltage specific

2.4 The assets included in corresponding bundles are only indicative and not exhaustive. The general guideline in this regard for Distribution Licensees is to bundle same location, same purpose assets into a common bundle as per above bundles. This is important so that purpose-based allocation of assets can be done and similar purpose assets are grouped together.

2.5 It is clarified that the above groups and bundles are for the purpose of allocation of assets over specific voltage levels only, and do not recommend any change in the maintenance of accounts by the Distribution Licensees. The Licensees shall have the liberty to either make appropriate modifications to their ERP system in order to analyse and present data as per the regulatory requirements or make the required groups and bundles outside the system, using the data dump from the ERP system. Licensees not having ERP system will necessarily have to organize their asset base data as per these requirements manually, till such time they install ERP system with appropriate modules to handle asset base data.

3 Identification / allocation of defined wire asset groups over different voltages

3.1 As shown above, the three main Asset Groups for Wires function shall be the following, along with the basis of allocation of the same over different voltage levels:

Asset Group	Allocation basis
Voltage-identifiable assets	to individual voltages depending upon the voltage rating of the line assets
Boundary Assets	<ul style="list-style-type: none"> • Distribution Substation shall be identified and allocated as per secondary side voltage into EHT, HT and LT • Consumer Substation shall be identified and allocated to LT voltage level
Common to Voltage Assets and all other network assets	in the same proportion as the proportion of voltage identifiable + boundary assets put together bears over different voltages, as computed above.

4 Allocation of Common Assets (as allocated to Wires function) over different voltage levels



- 4.1 The Common to Business Assets as identified from the total Fixed Asset Base of the Distribution Licensees will have to be first allocated between Wires and Supply functions. For this purpose, the ratio of Wires only and Supply only assets to total (Wires + Supply only) assets, as obtained using these guidelines, shall be used.
- 4.2 In the next step, the Common Assets so allocated to Wires function shall be further allocated to different voltage levels of distribution. For this purpose, the following methodology shall be used:

	Consumer-driven			Network-driven		
GFA value of Common to Business assets, allocated to Wires function (A)	50% of A = (B)			50% of A = (C)		
Voltage level	EHT	HT	LT	EHT	HT	LT
Allocation to Voltages in ratio of →	(B/2) x (no. of EHT consumers to total consumers)	(B/2) x (no. of HT consumers to total consumers)	(B/2) x (no. of LT consumers to total consumers)			
	(B/2) x (contract demand of EHT consumers to total contracted demand or connected load [in kVA assuming a power factor of 0.95] as the case may be)	(B/2) x (contract demand of HT consumers to total contracted demand or connected load [in kVA assuming a power factor of 0.95] as the case may be)	(B/2) x (connected load of LT consumers [in kVA assuming a power factor of 0.9] to total contracted demand or connected load [in kVA assuming a power factor of 0.95] as the case may be)	% of EHT line length in Ckt-km to total distribution line length in Ckt-km	% of HT line length in Ckt-km to total distribution line length in Ckt-km	% of LT line length in Ckt-km to total distribution line length in Ckt-km

**Distribution line length will include Service Lines as well*

- 4.3 As shown above, 50% value of total GFA value of allocated Common to Business assets shall be considered as Consumer-driven and shall be allocated to the different voltage levels of distribution on the basis of the proportion of number of consumers and contract demand / connected load (as the case may be) served by the Licensee at



each level. Similarly, the balance 50% value of total GFA value of allocated Common to Business assets shall be considered as Network-driven and shall be allocated to the voltage levels of distribution in the proportion of line length (including service lines) in ckt-km at each voltage level.

- 4.4 The number of consumers to be considered shall include the retail consumers irrespective of whose wires are used to supply such consumers. Further, the number of consumers and line length shall be the closing numbers pertaining to the latest audited financial year.

5 Determination of various asset ratios and allocation of wires cost components to different voltage levels and supply cost

- 5.1 Based on the allocation of assets as discussed in preceding paragraphs, the entire GFA of distribution can be divided between EHT, HT, LT voltages (Wire Business) and Supply Business. The values so allocated therein will result in different asset ratios obtained for Network Asset Group, Non-network Asset Group and Total Assets. This is shown as under:

Voltage	Network Asset Group			Non-network asset group	Supply	Total
	Voltage Identifiable	Boundary assets	Common to Network	Common to Business		
				Consumer / Network – 50:50		
EHT	A ₁	B ₁	C ₁	D ₁	-	A ₁ to D ₁
HT	A ₂	B ₂	C ₂	D ₂	-	A ₂ to D ₂
LT	A ₃	B ₃	C ₃	D ₃	-	A ₃ to D ₃
TOTAL Wire	A	B	C	D	-	A to D
Supply				D₄	E₁	D₄ + E₁
Total	A_Σ	B_Σ	C_Σ	D_Σ	E_Σ	A_Σ + E_Σ

- 5.2 Based on the allocation of assets as defined in Step 4, the assets ratio will be determined which will be considered as base for allocation of cost of ARR of Wire business.

Asset Ratios	EHT	HT	LT	Supply
Network Assets (P)	$(A_1+B_1+C_1) / (A+B+C)$	$(A_2+B_2+C_2) / (A+B+C)$	$(A_3+B_3+C_3) / (A+B+C)$	-
Non-Network Assets (Q)	$(D_1) / (D)$	$(D_2) / (D)$	$(D_3) / (D)$	-
Total Wire (T)	T_{EHTW} = $(A_1+B_1+C_1+D_1) / (A+B+C+D)$	T_{HTW} = $(A_2+B_2+C_2+D_2) / (A+B+C+D)$	T_{LTW} = $(A_3+B_3+C_3+D_3) / (A+B+C+D)$	-



Asset Ratios	EHT	HT	LT	Supply
Total GFA (T_{GFA})	$T_{EHTT} = \frac{(A1+B1+C1+D1)}{(A\Sigma+B\Sigma+C\Sigma+D\Sigma+E\Sigma)}$	$T_{HTT} = \frac{(A2+B2+C2+D2)}{(A\Sigma+B\Sigma+C\Sigma+D\Sigma+E\Sigma)}$	$T_{LTT} = \frac{(A3+B3+C3+D3)}{(A\Sigma+B\Sigma+C\Sigma+D\Sigma+E\Sigma)}$	$T_{ST} = \frac{(D4+E4)}{(A\Sigma+B\Sigma+C\Sigma+D\Sigma+E\Sigma)}$

- 5.3 Based on the asset values at different voltage levels, the various cost elements of Distribution Wires ARR shall be determined.
- 5.4 Using the principle that wherever cost at a particular voltage level is directly obtainable, ratios shall not be employed. Using this principle, **Depreciation** for Voltage Identifiable Assets and Boundary Assets shall be determined for different voltage levels directly as the historical cost and accumulated depreciation of each individual asset(s) shall be available directly from the Fixed Asset Register of the Licensee. The Licensees shall, preferably make this categorization of assets in their ERP system itself, so that, to this extent, voltage-wise depreciation can be made available directly from the system.
- 5.5 After determining depreciation for Voltage Identifiable and Boundary Assets, the total depreciation pertaining to the asset blocks of Common to Network Assets and Common to Business Assets shall be allocated over Voltages using the ratio of these assets as obtained over various voltages.
- 5.6 For projecting depreciation for any given financial year in ARR / Tariff Petitions (Year “n”), the Licensees shall work out depreciation for all assets actually added upto the last audited financial year (Year “n-2”) and incremental assets estimated / projected to be added over different voltage levels and retail supply business, during current and ensuing financial years i.e. Years “n-1” and Year “n” as per the methodology specified in the Guidelines.
- 5.7 **Interest on long-term loans and Return on Equity and / or Return on Capital Employed** shall be distributed over different voltage levels in the voltage-wise ratio of total asset i.e. the ratios of T_{GFA} , T_{EHTT} , T_{HTT} and T_{LTT} , shall be used. (reference from Para 5.2).
- 5.8 **Contribution to Contingency Reserve** As per MYT Regulations, the Contribution to Contingency Reserves is determined as a percentage of opening GFA. Accordingly the whole of asset base can be classified into different voltage levels and hence this cost, being a percentage of asset value, can be directly obtained at specified percentage of allocated asset value at each voltage level.
- 5.9 **O&M cost, net of Non-Tariff Income and Income from other business**, shall be distributed over voltages in the same manner as the Common to Business assets i.e. 50% of total approved O&M cost of Wires business shall be considered Consumer related and the remaining 50% shall be considered Network-related. Thereafter, the Consumer-related component shall be divided over EHT, HT and LT voltages in the ratio of number of consumers of the Distribution Licensee at each voltage level and the



Network-related component shall be divided over EHT, HT and LT voltages in the ratio of line length (including service lines) in ckt-km. at each voltage level.

- 5.10 **Interest on Working Capital and Provision for Bad debts** shall be allocated over different voltages using the ratio of rest of the Wires ARR at each voltage level, as determined using the principles given above.
- 5.11 **Income Tax:** If Income Tax is allowed separately, the same shall be allocated over different voltages using the same principles as applied for allocation of RoE.
- 5.12 **Past Revenue Gap / Surplus:** Approved revenue gap / surplus of Wires business of a Distribution Licensee for years till end of this Control Period shall be segregated among voltage levels in the same ratio as the ratio in which the stand-alone ARR, for the year in which pass through of such revenue gap / surplus is approved, is allocated. With effect from next Control Period, the Commission shall approve voltage-wise allocated true-up ARR for Wires business and the total revenue gap / surplus of Wires business so approved shall be segregated among voltages in the ratio of such voltage-wise true-up ARRs.
- 5.13 **Any other cost:** For any other costs pertaining to Wires or Supply business of a Distribution Licensee, not explicitly covered in these Guidelines, the Distribution Licensees shall propose allocation methodology for the same in their respective tariff petitions, consistent with the underlying principles as specified in these Guidelines and the Commission shall, based on prudence check, approve the methodology for allocation of such costs.

Provided that, in the interest of uniformity, same methodology shall be approved to allocate same type of costs for each Distribution Licensee, even if different Distribution Licensees propose different methodologies for the same, in their respective petitions.

6 Implementation issues and general directions to distribution licensees

- 6.1 The implementation of the above guidelines depends a lot on availability, quality and granularity of asset base data available with the distribution licensees. Therefore, the Distribution Licensees are directed to update their records and systems to the extent possible, so as to achieve successful implementation of these guidelines.
- 6.2 Distribution Licensees who do not have ERP system are directed to immediately prepare a roadmap for acquisition of requisite hardware and software so as to transfer asset base data from the presently manual systems to ERP system.
- 6.3 Considering the various data related issues and data organization required for implementation of these guidelines, these Guidelines shall come into force from 01.04.2025 i.e. from the commencement of the second year of the MYT Control Period. However, in order to test these guidelines and for better recognition of implementation and other issues, the Distribution Licensees shall, along with the existing method of computation of wheeling charges, also present their asset ratios and consequent division of various items of Distribution Wires ARR over different voltages using the principles of these Guidelines, in their upcoming ARR Petitions.