Draft Gujarat Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2021

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List of Abbreviations

ARR	Aggregate Revenue Requirement
AS – 3	Accounting Standard – 3
AUX	Auxiliary Consumption
BFP	Boiler Feed Pump
CDM	Clean Development Mechanism
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CFBC	Circulating Fluidised Bed Combustion
COD	Date of Commercial Operation
CPI	Consumer Price Index (for Industrial Workers)
DPR	Detailed Project Report
DSM	Demand Side Management
ECR	Energy Charge Rate
EE	Energy Efficiency
FPPPA	Fuel Price & Power Purchase Adjustment
GCV	Gross Calorific Value
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GSECL	Gujarat State Electricity Corporation Limited
HVAC	High Voltage Alternating Current
HVDC	High Voltage Direct Current
IC	Installed Capacity
kcal	kilo calorie
kWh	kiloWatt hour
MCLR	Marginal Cost Lending Rate
MCR	Maximum Continuous Rating
MDDL	Minimum Draw Down Level
MNRE	Ministry of New and Renewable Energy

MoP	Ministry of Power
MTOA	Medium Term Open Access
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi-Year Tariff
NAPAF	Normal Annual Plant Availability Factor
NAPLF	Normative Annual Plant Load Factor
O&M	Operation & Maintenance
RHT	Re-Heat Temperature
R&M	Repair & Maintenance
RLDC	Regional Load Despatch Centre
RLNG	Re-gasified Liquefied Natural Gas
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SHR	Station Heat Rate
SBI	State Bank of India
SHT	Super-Heat Temperature
SFC	Secondary Fuel Consumption
SLDC	State Load Despatch Centre
TPL-G	Torrent Power Limited – Generation
TPS	Thermal Power Station
TSC	Transmission Service Charges
w.e.f.	With effect from
WPI	Wholesale Price Index
WRPC	Western Regional Power Committee

Draft Gujarat Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2021

Notification No. ….. of 2020

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:

Chapter 1 : PRELIMINARY

1. Short title, extent, applicability and commencement:

1.1. These Regulations may be called the Draft Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2021.

1.2. These Regulations shall come into effect from the date of their publication in the Official Gazette and shall remain in force till March 31, 2026, unless otherwise reviewed/extended.

1.3. These Regulations shall extend to the whole of the State of Gujarat.

(a) These Regulations shall be applicable for determination of tariff in all cases covered under these Regulations from April 1, 2021.

(b) These Regulations shall be applicable to all existing and future Generating Companies supplying power under section 62 of Electricity Act 2003, Transmission Licensees, SLDC and Distribution Licensees and their successors, if any;

(c) These Regulations supersede the "Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016".

2. Definitions:

(1) **"Accounting Statement"** means for each financial year, the following statements, namely:

(i) balance sheet, prepared in accordance with the form contained in Part I of Schedule III to the Companies Act, 2013 or Part I of Schedule VI to the Companies Act, 1956 as amended from time to time, whichever is applicable;

(ii) profit and loss account, complying with the requirements contained in Part II of Schedule III to the Companies Act, 2013 or Part II of Schedule VI to the Companies Act, 1956, as amended from time to time, whichever is applicable;

(iii) cash flow statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) of the Institute of Chartered Accountants of India and as per Section 2(40) of the Companies Act 2013;

(iv) report of the statutory auditors;

(v) reconciliation statement, duly certified by the statutory auditors, showing the accounting statement under Indian Accounting standard (IND AS) and Generally Accounting Accepted Principles (GAAP) for reconciliation between the total expenses, revenue, assets and liabilities, of the entity as per financial statement and Regulatory format;

(vi) cost records prescribed by the Central Government under Section 148 of Companies Act, 2013 or Section 209(1)(d) of the Companies Act, 1956 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 the revised schedules and forms as stipulated under the Companies Act, 2013 shall be applicable from the date as prescribed therein:

Provided also 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:

Provided also 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.

(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 State Load Despatch Centre, for recovery through tariffs, 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:

(i) charged from or to each such Other Business together with a description of the basis of that charge; or

(ii) 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 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 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;

(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 the provisions of sections 224, 233B and 619 of the Companies Act, 1956 (1 of 1956), as amended from time to time or as per Section 139 of Chapter X of the Companies Act, 2013 (18 of 2013) or any other law for the time being in force;

(11)**"Authority"** means Central Electricity Authority referred to in Section 70 of the Act;

(12)**"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;

Provided further that auxiliary energy consumption for compliance of revised emission standards, sewage treatment plant and external coal handling plant (jetty and associated infrastructure) shall be considered separately.

(13) (a) **"Availability" in relation to a thermal generating station** for any period means the average of the daily average declared capacities as certified by Gujarat State Load Despatch Centre (SLDC) for all the days during that period expressed as a percentage of the installed capacity of the generating station minus normative auxiliary consumption as specified in these Regulations, and shall be computed in accordance with the following formula:

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

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

(b)**"Availability"** 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;

Provided that Availability of a transmission system for any period shall not exceed hundred per cent;

(14) **"Bank Rate"** shall mean the Bank Rate declared by the Reserve Bank of India from time to time;

(15) **"Base Rate"** shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India from time to time;

(16) **"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.;

(17) **"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;

(18) **"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;

(19) **"Change in law"** means occurrence of any of the following events:

(i) enactment, bringing into effect or promulgation of any new Indian law; or

(ii) adoption, amendment, modification, repeal or re-enactment of any existing Indian law; or

(iii) 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

(iv) 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

(v) 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.

(vi) 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.

(20) "**Charges**" means payments to be collected by the Generating Company or Licensee or SLDC for the services rendered by it;

(21) **"Commission"** means the Gujarat Electricity Regulatory Commission;

(22) **"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;

(23) **"Control Period"** means the period of five years from April 1, 2021 to March 31, 2026, for submission of forecast in accordance with Chapter 2 of these Regulations;

(24) "**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;

(25) **"Cut-off Date"** means the last day of the calendar month after thirty six months from the date of commercial operation of the project;

(26) **"Day"** means the 24 hour period starting at 00:00 hour;

(27) **"Date of Commercial Operation" (COD)** means:

(i) 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:

(ii) 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.

(iii) 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.

(28) **"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;

(29) **"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;

(30) **"De-Commissioning"** means removal from service of a generating station or a unit thereof or transmission system including communication system or element thereof or of a Distribution system or of any of the infrastructure of SLDC, after it is certified by the Central Electricity Authority or any other competent authority, either on its own or on an application made by the applicant or the beneficiaries or both, that the project cannot be operated due to non-performance of the assets on account of technological obsolescence or uneconomic operation or a combination of these factors.

(31) **"Deemed Distribution Licensee"** means a person deemed to be a Distribution Licensee under Section 14 of the Act;

(32) **"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;

(33) **"Distribution Business"** means the business of operating and maintaining a distribution system for supplying electricity in the area of supply of the Distribution Licensee;

(34) **"Distribution Licensee"** means a Licensee authorised to operate and maintain a distribution system for supplying electricity to consumers in its area of supply;

(35) **"Distribution System User"** means a retail consumers 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.

(36) **"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;

(37) **"Detailed Project Report Scheme"** (or "DPR Scheme") means a capital expenditure Scheme with projected capital cost exceeding 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 required to obtain prior in-principle approval by submitting a Detailed Project Report (DPR) in accordance with the guidelines;

(38) **"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.;

(39) **"Expected Revenue from Tariff and Charges"** means the revenue estimated to accrue to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee from the Regulated Business at the prevailing tariffs and charges;

(40) **"Existing Generating Unit/Station"** means a generating unit/station declared under commercial operation prior to the date of effectiveness of these Regulations;

(41) **"Existing Project"** means a project declared under commercial operation prior to the date of effectiveness of these Regulations;

(42) **"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;

(43) **"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;

(44) **"Fees"** means fees payable to the SLDC for connection with the State Grid,

(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:

(i) 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

(ii) Any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or

(iii) Industry wide strikes and labour disturbances having a nationwide impact in India;

(iv) 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 from the list maintained by Ministry of Coal, Government of India/ Coal India Limited:

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) **"Index $_{Esc}$"** means the average Inflation escalation to be considered on the basis weightage specified for the Generating Company, Transmission Licensee, SLDC or distribution licensee with respect to WPI and CPI respectively of the relevant year;

(56) **"Infirm power"** means electricity injected into the grid prior to the commercial operation of a Unit or Block of the generating station;

(57) **"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;

(58) **"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;

(59) **"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;

(60) "**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;

(61) **"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;

(62) **"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;

(63) **"Mid-term Review"** means a review to be undertaken in accordance with the second proviso to Regulation 16.2 (i);

(64) **"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;

(65) **"Normative Annual Plant Availability Factor" or "NAPAF"** in relation to a thermal generating station means the availability factor specified in Regulation 55.1 for thermal

generating stations and in relation to a hydro generating station means the availability factor specified in Regulations 58.1 and 58.2 for hydro generating stations;

(66) **"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;

(67) **"Non-Pithead generating station"** means a Generating station, which is not covered under Pithead Generating station;

(68) **"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;

(69) **"Operation and Maintenance expenses" or "O&M expenses"**:

(i) 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;

(ii) 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;

(70) **"Original Project Cost"** means the capital expenditure incurred by the Generating Company or the 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;

(71) **"Other Business"** means any business undertaken by the Generating Company, Transmission Licensee, SLDC or Distribution Licensee, other than the businesses regulated by the Commission;

(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:

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

Where,

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

SGi= Scheduled Generation in MW for the i^{th} time block of the period,

N = Number of time blocks during the period, and

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

AUXen = Normative Auxiliary Energy Consumption for emission control system as a percentage of gross energy generation, wherever applicable.

(74) **"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;

(75) **"Project"** means:

(i) 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 includes mining if it is a pit head project and dedicated captive coal mine;

(ii) 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

(iii) in case of Transmission, all components and elements of the Transmission system including communication system;

(76) **"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.

(77) **"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;

(78) **"Rated Voltage"** means the manufacturer's design voltage at which the transmission system is designed to operate or such lower voltage at which the line is charged, for the time being, in consultation with Transmission System Users;

(79) **"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;

(80) **"Regulated Business"** means any electricity business, which is regulated by the Commission.

(81) **"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;

(82) **"Run-of-river generating station"** means a hydro generating station, which does not have upstream pondage;

(83) **"Run-of-river generating station with pondage"** means a hydro generating station with sufficient pondage for meeting the diurnal variation of power demand;

(84) **"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;

(85) **"SLDC"** means the State Load Despatch Centre established by the State Government under the Electricity Act for the purpose of exercising the powers and discharging the functions as specified under the Electricity Act.

(86) **"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;

(87) **"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;

(88) **"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;

(89) **"Storage type power station"** means a hydro power generating station associated with large storage capacity to enable variation in generation of electricity according to demand;

(90) **"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;

(91) **"Transmission System"** means a line or a group of lines with or without associated sub-Station, and includes equipment associated with transmission lines and sub-stations;

(92) **"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;

(93) "**Transmission Licensee**" means a Licensee authorised by the Commission to establish or operate transmission lines under Section 14 of the Act;

(94) **"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;

(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:

i.	Coal/Lignite based thermal generating station:	25 years;
ii.	Gas/Liquid fuel based thermal generating station:	25 years;
iii.	Hydro generating station including pumped storage hydro generating station:	35 years;
iv.	AC and DC sub-station:	35 years;
v.	Gas Insulated Sub-station (GIS)/Hybrid sub-station:	35 years;
vi.	Transmission line (including HVAC and HVDC):	35 years;
vii.	Distribution line:	35 years;
viii.	Communication System	15 years;

(96) **"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;

(97) **"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;

(98) **"Year"** means a financial year (FY);

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 tariff within the Multi-Year Tariff framework, for all matters for which the Commission has jurisdiction under the Act, including in the following cases:

(i) Supply of electricity by a Generating Company 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;

(ii) Intra-State transmission of electricity;

(iii) SLDC Fees and Charges;

(iv) Intra-State Wheeling of electricity;

(v) 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 further 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:

Provided also that the Commission, while determining tariff upon an application made to it under these Regulations, shall also have regard to the terms and conditions of tariff as may be specified by the State Commission of such other State and/or the terms and conditions of tariff as may be specified by the Central Commission where any of the Parties to such transaction come under the jurisdiction of such State Commission or of the Central Commission.

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. The Commission shall also determine Surcharge in addition to the charges for wheeling under the first proviso to sub-section (2) of Section 42 of the Act, in accordance with the Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011 and as amended through Orders issued by the Commission from time to time.

3.7. The Commission shall also determine additional surcharge on the charges for wheeling under subsection (4) of Section 42 of the Act, in accordance with the Gujarat Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2011 and as amended through Orders issued by the Commission from time to time.

3.8. 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:

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 the Generating Company or the Transmission Licensee or the SLDC or the Distribution Licensee, as the case may be, and the 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 the Generating Company and its Beneficiaries may mutually agree to charge a lower tariff.

5.2. The 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. The deviation from the ceiling tariff determined by the Commission, shall come into effect from the date agreed to by the Generating Company and the Beneficiaries.

5.4. The Generating Company and the Beneficiaries of a Generating Station shall be required to intimate the Commission for charging lower tariff in accordance with Regulation 5.1 to 5.3 above. The details of the accounts and the tariff actually charged under Regulation 5.1 to 5.3 shall be submitted at the time of true up.

The revenue loss on account of charging lower than approved tariff shall be borne entirely for all times by the Generating Company and the impact of such revenue loss shall not be passed on to the Beneficiaries, in any form.

6. General Framework:

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 thinks fit.

8. Effect of Non-Compliance:

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:

9.1.1. The 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;

9.1.2. The National Electricity Policy and Tariff Policy as may be in force from time to time; and

9.1.3. Principles as mentioned in Section 61 of the Electricity Act, 2003.

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:

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:

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:

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

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

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.

Chapter 2 : GENERAL PRINCIPLES

16. Multi-Year Tariff framework

16.1. The Commission shall determine the tariff for matters covered under clauses (i) to (v) of Regulation 3, under a Multi-Year Tariff framework with effect from April 1, 2021:

Provided that the Commission may, either on suo-motu basis or upon application made to it by an Applicant, exempt the determination of tariff 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. The Multi-Year Tariff framework shall be based on the following elements, for determination of Aggregate Revenue Requirement and expected revenue from tariff and charges for Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business:

(i) A detailed Multi-Year Tariff Application comprising the forecast of Aggregate Revenue Requirement for the entire Control Period and expected revenue from existing tariffs for the first year of the Control Period to be submitted by the Applicant:

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

Provided further that a Mid-term Review of the Aggregate Revenue Requirement shall be undertaken for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee on an application that shall be filed by the utilities along with the Petition for truing-up for the second year of the Control Period and tariff determination for the fourth year of the Control Period;

(ii) Determination of Aggregate Revenue Requirement by the Commission for the entire Control Period and the tariff for the first year of the Control Period for the Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business;

(iii) Truing up of previous year's expenses and revenue by the Commission 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 Applicant (controllable factors) and those caused by factors beyond the control of the Applicant (uncontrollable factors):

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;

(iv) The mechanism for pass-through of approved gains or losses on account of uncontrollable factors as specified by the Commission in these Regulations;

(v) The mechanism for sharing of approved gains or losses on account of controllable factors as specified by the Commission in these Regulations;

(vi) Annual determination of tariff for the Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business, for each financial year within the Control Period, based on the approved forecast and results of the truing up exercise.

17. Accounting statement and filing under MYT

17.1. The filing under MYT by the Generating Company, Transmission Licensee, SLDC and Distribution Licensee, shall be done as per the timelines specified in these Regulations 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.

17.2. The filing for the Control Period under these Regulations shall be as under:

(a) MYT Petition shall comprise of:

(i) Truing up for FY 2019-20 to be carried out under Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016:

(ii) Multi-Year Aggregate Revenue Requirement for the entire Control Period with year-wise details;

(iii) Revenue from the sale of power at existing tariffs and charges and projected revenue gap or revenue surplus, for the first year of the Control Period under these Regulations, viz., FY 2021-22;

(iv) Application for determination of tariff for FY 2021-22.

(b) From the second year of the Control Period and onwards, the Petition shall comprise of:

(i) Truing up for FY 2020-21 to be carried out under Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016:

(ii) Truing Up for FY 2021-22 and onwards to be carried out under Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2021;

(iii) Revenue from the sale of power at existing tariffs and charges for the ensuing year;

(iv) Revenue gap or revenue surplus for the ensuing year calculated based on Aggregate Revenue Requirement approved in the MYT Order and truing up for the previous year;

(v) Application for determination of tariff for the ensuing year.

(c) In case of Mid-term Review of Aggregate Revenue Requirement under Regulation 16.2 (i), the Petition shall comprise of:

(i) Truing Up for the previous year under these Regulations;

(ii) Modification of the Aggregate Revenue Requirement for the remaining years of the Control Period, if any, with adequate justification for the same;

(iii) Revenue from the sale of power at existing tariffs and charges for the ensuing year;

(iv) Revenue gap or revenue surplus for the ensuing year calculated based on Aggregate Revenue Requirement approved in the MTR Order and truing up for the previous year;

(v) Application for determination of tariff for the ensuing year.

17.3. The Generating Company, Transmission Licensee, SLDC and Distribution Licensee for the Distribution Wires Business and Retail Supply Business, shall file separate audited accounting statements with the application for determination of tariff and truing up under Regulation 21:

Provided 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 that the Generating Company, Transmission Licensee, SLDC and Distribution Licensee shall provide the 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 format.

18. Applicability

The Multi-Year Tariff framework shall apply to applications made for determination of tariff for a Generating Company, Transmission Licensee, SLDC and Distribution Licensee for Distribution Wires Business and Retail Supply Business.

19. Multi-Year Tariff Application

19.1. The Applicant shall submit the forecast of Aggregate Revenue Requirement for the entire Control Period and tariff proposal for the first year of 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.

19.2. The Applicant shall develop the 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 category-wise sales and demand projections, power procurement plan, capital investment plan, financing plan and physical targets, in accordance with guidelines and formats, as may be prescribed by the Commission from time to time.

19.3. 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 Commission shall consider and approve the capital investment plan for which the Generating Company, Transmission Licensee, SLDC and Distribution Licensee for the Distribution Wires Business and Retail Supply Business, may be required to provide relevant technical and commercial details.

19.4. The Distribution Licensee shall project the power purchase requirement based on the Merit Order Despatch principles of all Generating Stations considered for power purchase, the 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.

19.5. The Applicant shall develop the forecast of expected revenue from tariff and charges based on the following:

(a) In the case of a Generating Company, estimates of quantum of electricity to be generated by each Unit/Station for ensuing financial year within the Control Period;

(b) In the case of a Transmission Licensee, estimates of transmission capacity allocated to Transmission System Users for ensuing financial year within the Control Period;

(c) In the case of SLDC, estimates of services to be extended to the beneficiaries.

(d) In the 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 financial year within the Control Period;

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

19.6. Based on the forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges, the Generating Company, Transmission Licensee, SLDC and Distribution Licensee for the Distribution Wires Business and Retail Supply Business, shall propose the tariff that would meet the gap, if any, in the Aggregate Revenue Requirement.

19.7. 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.

19.8. On receipt of application, the Commission shall either:

(a) issue an Order approving the Aggregate Revenue Requirement for the entire Control Period and the tariff for the first year of the Control Period, subject to such modifications and conditions as it may specify in the said Order; or

(b) reject the application for reasons to be recorded in writing, as the Commission may deem appropriate:

Provided that the Applicant shall be given a reasonable opportunity of being heard before rejecting his application.

20. Specific trajectory for certain variables

20.1. While approving the MYT Petition, the Commission shall stipulate a trajectory for the variables, which shall include, but not be limited to Operation & Maintenance expenses, target plant load factor and distribution losses for FY 2021-22 onwards:

Provided further that the Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business may seek a review of the trajectory at the time of mid-term review of Aggregate Revenue Requirement for the balance Control Period.

21. Truing Up

21.1. The Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.

21.2. The Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall file an Application for Truing up of the previous year and determination of tariff for the ensuing year, within the time limit specified in these Regulations:

Provided that the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts, extracts of books of account 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 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.

21.3. The scope of the truing up shall be a comparison of the performance of the Generating Company or Transmission Licensee or SLDC or 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 of the Applicant for the previous financial year with the approved forecast for such previous financial 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.

21.4. In respect of the expenses incurred by the Generating Company, Transmission Licensee, SLDC and Distribution Licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an Applicant vis-a-vis the approved forecast as part of the truing up.

21.5. Upon completion of the truing up under Regulation 21.4 above, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 22 below, to factors within the control of the Applicant (controllable factors) or to factors beyond the control of the Applicant (uncontrollable factors):

Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 22.1 below shall be attributed entirely to controllable factors.

21.6. Upon completion of the Truing Up, the Commission shall pass an order recording:

(a) the approved aggregate gains or losses to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 24 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 23 of these Regulations;

(c) Carrying 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 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 Base Rate of the respective financial year or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable for 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;

(d) Tariff determined for the ensuing year.

22. Controllable and uncontrollable factors

22.1. 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, State Government or Commission;

(c) Variation in the price of fuel and/ or price of power purchase according to the FPPPA formula approved by the Commission from time to time;

(d) Variation in the number or mix of consumers 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;

(e) Transmission Loss;

(f) Variation in market interest rates;

(g) Taxes and Statutory levies excluding those which are levied on O&M expenses;

(h) Taxes on Income;

(i) 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 this Regulation for such financial year.

22.2. 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, and Depreciation on account of variation in capitalisation, as specified in clause (a) above;
(c) Variations in technical and commercial losses of Distribution Licensee;
(d) Variations in performance parameters;
(e) Variations in interest on working capital;
(f) 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;
(g) Variations in labour productivity;
(h) Variation in Operation &Maintenance expenses;
(i) Bad debts written off.

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

23.1. The approved aggregate gains or losses to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the 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.

23.2. The 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.

23.3. Nothing contained in this Regulation 23 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

24. Mechanism for sharing of gains or losses on account of controllable factors

24.1. The approved aggregate gains to the 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 Half of the amount of such gains shall be passed on as a rebate in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6;

(b) The balance amount, of such gains, may be utilised at the discretion of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee.

24.2. The approved aggregate losses to the 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 21.6; and

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

25. Determination of Tariff

25.1. The proceedings to be held by the Commission for determination of tariff shall be in accordance with the GERC (Conduct of Business) Regulations, 2004, as amended from time to time.

25.2. Notwithstanding anything contained in these Regulations, the Commission shall at all times have 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, including terms and conditions thereof, of any Generating Company or Transmission Licensee or SLDC or Distribution Licensee:

Provided that such determination of tariff 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.

25.3. 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.

26. Determination of Generation Tariff

26.1. Existing generating station:

26.1.1. 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.

26.1.2. 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 the 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.

26.2. New generating stations:

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

26.3. Own generating stations:

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

26.3.2. The 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.

26.4. The 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.

27. Determination of Tariff for Transmission, Distribution Wires Business, Retail Supply Business, and SLDC Fees and Charges

27.1. The Commission shall determine the tariff for Transmission Business, Distribution Wires Business, Retail Supply Business and the SLDC fees and charges based on an application made by the Licensees and SLDC in accordance with the procedure contained in these Regulations.

27.2. 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.

28. Filing Procedure

28.1. The Applicant shall provide, as part of his application to the Commission, in such form as may be prescribed by the Commission from time to time, full details of his calculation of the Aggregate Revenue Requirement and expected revenue from tariff and charges, and thereafter, he shall 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 application 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 additional/alternative formats for details to be submitted by the Applicant, from time to time, as it may reasonably require for assessing the Aggregate Revenue Requirement and for determining the tariff.

28.2. Upon receipt of a complete application accompanied by all requisite information, particulars and documents in compliance with all the requirements specified in these Regulations, the application shall be deemed to be received and the Commission or the Secretary or the designated Officer shall intimate to the Applicant that the application is registered and ready for publication.

28.3. The application made shall be supported by affidavit of the person acquainted with the facts stated in the application.

28.4. The Applicant shall, within 7 days after registration of the application, 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.

28.5. 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 Applicant.

28.6. The Applicant 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.

28.7. The Applicant shall file his comments on the suggestions and objections, if any, received in response to his application within the time limit specified in Gujarat Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.

28.8. The Applicant shall file his application for approval of truing up of previous year and tariff for ensuing financial year by 30th November of the current financial year.

29. Tariff Order

29.1. The Commission shall, within one hundred and twenty (120) days from the date of registration of a complete application and after considering all suggestions and objections received from the public:

(a) issue a Tariff Order accepting the application with such modifications or such conditions as may be specified in that Order; or

(b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and Regulations made thereunder or the provisions of any other law for the time being in force:

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

29.2. 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.

30. Adherence to Tariff Order

30.1. No tariff or part of any tariff may be ordinarily amended, more frequently than once in any Financial year, except FPPPA based on FPPPA formula approved by the Commission from time to time.

30.2. The Commission, may, after satisfying itself for reasons to be recorded in writing, allow revision of tariff.

30.3. 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 Base rate without prejudice to any other liability incurred by such Generating Company or Transmission Licensee or SLDC or Distribution Licensee.

30.4. The 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.

31. Annual determination of tariff

The Commission shall determine the tariff of a Generating Company, Transmission Licensee, SLDC and Distribution Licensee covered under a Multi-Year Tariff framework for each financial year during the Control Period, at the commencement of such financial year, having regard to the following:

(a) The approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges of the Generating Company, Transmission Licensee, SLDC and Distribution Licensee for such financial year, including modifications approved at the time of mid-term review, if any; and

(b) Approved gains and losses, including the incentive available, to be passed through in tariffs, following the Truing Up of previous year.

32. Subsidy Mechanism

With effect from the first day of April 2021, 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.

Chapter 3 : FINANCIAL PRINCIPLES

33. Capital Cost

33.1. Capital Cost for a project shall include:

(a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges 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; and

(c) Expenditure on account of additional capitalisation and de-capitalisation determined in accordance with 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.

(e) Expenditure on account of change in law and force majeure events; and

(f) Capital cost incurred or projected to be incurred on account of the Perform, Achieve and Trade (PAT) scheme or sewage treatment plant or to achieve revised Environmental Norms / Statutory Norms of Government of India will be considered by the Commission on case to case basis, subject to prudence check:

Provided further that the capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost of Generation Project and transmission/ distribution / SLDC system:

Provided that any capitalisation done by mere book entries / presentation in the financial statements in order to comply with any statute / rules etc. and not in accordance with the Capital Expenditure approved under these Regulations, shall not be allowed by the Commission.

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:

Provided also that the following shall be excluded from the capital cost of the existing and new projects:

a) The assets forming part of the project, but 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

Provided that in case redeployment of transmission asset is recommended by State Transmission Utility, such asset shall be decapitalised only after its redeployment;

Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.

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 generating station based on renewable energy; 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;

33.2. The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that in case of the 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 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 further 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, cost over-run and time overrun, and such other matters as may be considered appropriate by the Commission for determination of tariff.

Provided further that the entire gains to the Generating Company or Transmission Licensee or SLDC or Distribution licensee on account of variations in capitalisation, in terms of variation in Interest and Finance Charges, Return on Equity, and Depreciation, shall be passed on as a rebate in Tariff over such period as may be stipulated in the Order of the Commission after prudence check:

Provided also that the loss to the Generating Company or Transmission Licensee or SLDC or Distribution licensee on account of variations in capitalisation, in terms of variation in Interest and Finance Charges, Return on Equity, and Depreciation, shall be shared between the Generating Company or Transmission Licensee or SLDC or Distribution Licensee and the respective Beneficiary or consumer in the manner stipulated by the Commission in its Order after prudence check

33.3. The 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.

33.4. 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 guiding factor only and not binding on the Commission as such.

33.5. The Commission has specified the Guidelines for approval of Capital Investment Schemes as provided in Annexure III of this 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 the guidelines.

33.6. 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 at the time of filing of application for multi-year tariff by the generating company/licensees or SLDC as the case may be.

Provided that 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).

Provided that in case of a new or expansion of an existing Hydro generating station, capital investment plan shall also include cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with the National R&R Policy and R&R package as approved.

33.7. The 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.

33.8. The 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, in accordance with the conditions and methodology specified in Regulation 47;

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 the Generating Company, Transmission Licensee, SLDC and Distribution Licensee.

33.9. The capital cost of the concerned asset/s shall be considered after deducting the amount of accumulated depreciation computed till the period of asset utilisation for unregulated business or for the period the assets remain 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.

33.10. The actual capital expenditure on COD for the original scope of work based on audited accounts of the Generating Company, Transmission Licensee, SLDC and Distribution Licensee, limited to original cost may be considered subject to prudence check by the Commission.

33.11. The Commission may approve, for each year of the Control Period, an additional amount equivalent 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.

33.12. The cumulative amount of capitalisation against non-DPR schemes for any Year shall not exceed 20% or such other limit as may be stipulated by the Commission through an Order, of the cumulative amount of capitalisation approved against DPR schemes for that Year:

Provided that the Commission may allow capitalisation against non-DPR schemes for any Year in excess of 20% or such other limit as may have been stipulated by the Commission through Order, on a request made by the Generating Company or Transmission Licensee or SLDC or Distribution licensee;

Provided further that the 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.

33.13. The Generating Company or Transmission Licensee or SLDC 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.

33.14. 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.

33.15. The revenue earned from sale of infirm power in excess of fuel cost prior to the COD as specified under Regulation 53, shall be adjusted against the Capital Cost.

33.16. The 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 Station	-	4.0 %
(v) Gas Insulated Sub-station (GIS)	-	5.0 %
(vi) Communication System	-	3.5 %
(vii) Static Synchronous Compensator		6.0 %

33.17. 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 and 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 and 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 annual truing up.

33.18. Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to Generating Company, Transmission Licensee, SLDC and 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:

Net Value of Replaced Assets = OCRA – AD –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.

34. Additional capitalisation

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

The 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 33.16 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 application for determination of Final tariff after the date of commercial operation of the Generating Unit/Station or Transmission system.

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

The 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) Liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments; and

(vii) 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, subject to prudence check on the following grounds:

a) The 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) The replacement of the asset or equipment is necessary on account of change in law or Force Majeure conditions;
c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and
d) The replacement of such asset or equipment has otherwise been allowed by the Commission.

34.3. Additional Capitalisation beyond the original scope of work:

The capital expenditure, in respect of existing Generating station or the 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 of 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 obsolesce 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 1, 2021:

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

Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period.

34.4. Additional Capitalization on account of Revised Emission Standards:

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.

34.5. Impact of additional capitalization on tariff, as the case may be, shall be considered during Truing Up of each financial year of the Control Period.

34.6. 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 decapitalisation 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.

35. Consumer contribution, Deposit Work and Grant

35.1. The following nature of work carried out by the Transmission Licensee, SLDC, and Distribution Licensee shall be classified under this category:

(a) Works after obtaining a part or all of the funds from the users in the context of deposit works;

(b) Capital works undertaken by utilising grants received from the State and Central Governments, including funds under various schemes;

(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.

35.2. The expenses on such capital expenditure 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 36, after deducting the amount of financial support provided through consumer contribution, deposit work, capital subsidy or grant;

(c) provisions related to depreciation, as specified in Regulation 39;

(d) provisions related to return on equity, as specified in Regulation 37, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant;

(e) provisions related to interest on loan capital, as specified in Regulation 38, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.

36. Debt-equity ratio

36.1. **Existing Projects:** in case of the Generating Company, Transmission Licensee, SLDC and Distribution Licensee, if any fixed asset is capitalised on account of capital expenditure incurred prior to April 1, 2021, debt-equity ratio as allowed by the Commission for determination of tariff for the period ending March 31, 2021 shall be considered:

Provided 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 also 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 de-capitalised or retired or replaced asset, and the debt capital approved as mentioned above, shall be reduced to the extent of actual debt component, based on documentary evidence, of the original cost of the de-capitalised or retired or replaced asset.

Provided that during the determination of ARR or Truing up of ARR of any financial year of the control period, if the resultant total normative outstanding loan after repayment is negative, then the equity for that year shall be reduced to the same extent and thereafter the return on equity for the determination of ARR or Truing up of ARR of any financial year shall be calculated.

Provided also 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.

36.2. **New Projects**: In case of a new generating station, transmission or distribution line or substation commissioned or capacity expanded or for any capital investment scheme declared under Commercial Operation on or after April 1, 2021, 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 33, 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. The 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.

36.3. The equity investment to be considered in any year for any investment proposed for that respective financial year, shall not exceed the difference between the sum of cumulative return on equity allowed by the Commission in previous years, efficiency gains and losses, incentives and disincentives, and income earned from investment of return on equity, and the cumulative equity investment approved by the Commission in previous years, unless the Generating Company or Licensee or SLDC submits documentary evidence for the actual deployment of equity and explain the source of funds for the equity.

Provided further that the Generating Company or Licensee or SLDC shall substantiate such investment of return on equity and income thereon through documentary evidence.

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.

36.4. Any expenditure incurred or projected to be incurred on or after April 1, 2021, 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.

37. Return on Equity

37.1. Return on equity shall be computed on the paid up equity capital determined in accordance with Regulation 36 on the assets put to use, for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee as the case may be and shall be allowed subjected to a ceiling of 14% for Generating Companies, including hydro generation stations above 25 MW, Transmission Licensee, SLDC and Distribution Licensee:

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 allowed at time of truing up for respective year based on actual performance substantiated by documentary evidence, after prudence check by the Commission:

Provided further that for the purpose of truing up for the Generating Company, Transmission Licensee, SLDC and Distribution Licensee, return on equity shall be allowed from the COD on pro-rata basis based on documentary evidence provided for the assets put to use during the year.

However, in case of multiple schemes whereby the CoD of different scheme may be spread throughout the year, at the discretion of the Commission, 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.

Provided further that assets funded by consumer contributions, capital subsidies/Govt. grants shall not form part of the capital base for the purpose of calculation of Return on Equity.

37.2. The premium if any, raised by the Generating Company or the 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.

37.3. Base Return on Equity for the Generating Company, Transmission Licensee and SLDC as the case may be, shall be allowed on the equity capital determined in accordance with Regulation 36 for the assets put to use, at the rate of 13 per cent per annum in Indian Rupee terms, and for Distribution

Licensee, the base Return on Equity shall be allowed on the amount of equity capital determined in accordance with Regulation 36 for the assets put to use at the rate of 13.5 per cent per annum in Indian Rupee terms :

37.4. 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:

Provided that Base Return on Equity in respect of additional capitalization after cut-off date and beyond the original scope excluding additional capitalization due to Change in Law or revised emission standards, shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system.

Provided at the time of true-up, Base Return on Equity to be calculated in accordance with the proviso of 37.1 of this Regulation.

37.5. 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 the 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.

37.6. In case of existing generating station, as and when any of the requirements under Regulation 37.5 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.

37.7. In case of a thermal generating Unit, with effect from April 1, 2021, at the time of true-up:

(a) an additional rate of Return on Equity of 0.25% shall be allowed for every incremental ramp rate of 0.10% per minute achieved over and above the ramp rate of 1% per minute, subject to ceiling of additional rate of Return on Equity of 1.00%, for the year in which such ramp rate is achieved.

Provided that the additional rate of Return on Equity shall be allowed on pro-rata basis for incremental ramp rate of more than 0.10% per minute.

37.8. In case of Transmission Licensee, an additional rate of Return on Equity shall be allowed on Transmission Availability, at time of truing up as per the following schedule:

(a) For every 0.50% over-achievement in Transmission Availability up to Transmission Availability of 99.00% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.50%;

(b) For every 0.25% over-achievement in Transmission Availability above 99.00% for AC System and 96.50% for HVDC bi-pole links and HVDC back-to-back stations, rate of return shall be increased by 0.50%, subject to ceiling of additional rate of Return on Equity of 1.00%;

Provided that the additional rate of Return on Equity shall be allowed on pro-rata basis for incremental Availability higher than Target Availability:
Provided further that Target Availability for additional rate of Return on Equity shall be as per Regulation 70.

37.9. In case of Distribution Wires Business, an additional rate of Return on Equity shall be allowed on Wires Availability at the time of true-up as per the following schedule:

(a) The target Wires Availability for recovery of base rate of return on equity shall be 95 percent for 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:

Wires Availability = (1- (SAIDI / 8760)) x 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.

37.10. In case of Retail Supply Business, an additional rate of Return on Equity shall be allowed at the time of true-up, as per the following schedule:

(a) If overall collection efficiency for the year is above 99.00%, then rate of return shall be increased by 0.50%;

(b) If overall collection efficiency for the year is below 99.00%, for every 0.50% improvement in the overall collection efficiency, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%.

37.11. In case of SLDC, an additional rate of Return on Equity shall be allowed at the time of true-up, as per the following schedule:

(a) The target Availability of SCADA System will be 98% and for every 1% 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) The target Availability of Website Availability will be 98% and for every 1% 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%.

38. Interest and finance charges

38.1. The loans arrived at in the manner indicated in Regulation 36 on the assets put to use, 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.

38.2. The normative loan outstanding as on April 1, 2021, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2021, from the gross normative loan.

38.3. The repayment for the year during the Control Period from FY 2021-22 to FY 2025-26 shall be deemed to be equal to the depreciation allowed for that year.

38.4. 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.

38.5. The 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 the Generating Company or the Transmission Licensee or SLDC or the 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 the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee shall be considered as the rate of interest:

Provided that in case where the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee, as the case may be, avails new loans, i.e., on or after April 1, 2021, the Commission may specify the capping on rate of interest on such a new loan considering the market conditions. However, they shall be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest. They shall also justify the reasons for higher interest rate, if availed for the new loan.

Provided further that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:

Provided also that if the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee, as the case may be, does not have actual loan, then the weighted average rate of interest of the other business of the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee regulated by the Commission shall be considered:

Provided also that if the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee, as the case may be, does not have actual loan, and the other business of the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee regulated by the Commission also does not have actual loan, then the weighted average rate of interest of the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee as a whole shall be considered:

Provided also that if the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee as a whole does not have actual loan, then the Base Rate plus 150 basis points at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

38.6. The 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.

38.7. The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Grants or Deposit Works carried out

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

38.8. The finance charges other than the refinancing charges, incurred for obtaining loans or Payment Security mechanism from financial institutions or guarantee fee payable to Government for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check.

38.9. The 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.

38.10. The Generating Company or the Transmission Licensee or SLDC or the 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 the Generating Company or the Transmission Licensee or SLDC or the Distribution Licensee, as the case may be, in the ratio of 2:1.

Provided 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 that refinancing shall not be done if it results in increase in rate of interest of existing loan:
Provided further that if refinancing is done and it results in net increase in interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:
Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

Provided also that the Generating Company or the Licensee or the 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 entity 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.

38.11. 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.

39. Depreciation

39.1. The value base for the purpose of depreciation shall be the Capital Cost of the asset admitted by the Commission.

39.2. The 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) The 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:

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 the Generating Company or a Transmission Licensee or SLDC or a 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 Regulations 38.

Provided further that for a Generating Company or a Transmission Licensee or SLDC or a 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 on the assets financed through consumer contribution, deposit work, capital subsidy or grant, shall be considered as per the Annual Accounts along with the relevant deferred income entry against the such asset created:

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

Provided also that the 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.

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

39.3. Land other than the land held under lease and the 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.

39.4. In case of the existing projects, the balance depreciable value as on April 1, 2021, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2021, from the gross value of the assets.

39.5. 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.

40. Interest on Working Capital

40.1. Generation:

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

(i) Cost of coal or lignite for one (1) month for pit-head generating stations and one and a half (1½) months 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 that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations:

Provided further that for the purpose of Truing-up, 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;

(b) 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 in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations:

Provided 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;

(c) 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 that in case of own generating stations, no amount shall be allowed towards receivables, to the extent of supply of power by the Generation Business to the Retail Supply Business, in the computation of working capital in accordance with these Regulations:

Provided further that 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;

(d) Interest on working capital shall be allowed at a rate equal to the Base Rate or any replacement thereof 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 Base Rate 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.

40.2. Transmission:

(a) 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 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;

(b) Interest shall be allowed at a rate equal to the Base Rate or any replacement thereof 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 Base Rate 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.

40.3. SLDC

(a) 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 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;

(b) Interest shall be allowed at a rate equal to the Base Rate or any replacement thereof 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 Base Rate 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.

40.4. Distribution Wires Business

(a) 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 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;

(b) Interest shall be allowed at a rate equal to the Base Rate or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable as on 1stApril 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 Base Rate 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.

40.5. Retail Supply of Electricity

(a) 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) 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 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;

(b) Interest shall be allowed at a rate equal to the Base Rate or any replacement thereof 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 Base Rate 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.

40.6. For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest on working capital incurred by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors, and shared between it and the respective Beneficiary or consumer as the case may be, in accordance with Regulation 24:

Provided that the contribution of delay in receipt of payment to the actual interest on working capital shall be deducted from the actual interest on working capital, before sharing of the efficiency gain or efficiency loss, as the case may be.

41. Tax on income

41.1. The Income Tax for the 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 Regulations 37:

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 only before March 31, 2021 shall be allowed by the Commission, whenever they get materialised, after prudence check.

41.2. 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 37 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.

41.3. Rate of 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 calculated on the basis of actual income tax paid on the book profit (Profit Before Tax)

Provided that, in case of the 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 actual tax paid as per latest available Audited accounts, subject to prudence check.

41.4. In case of the 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 2021-22 is Rs. 500 Crore;
   ii. Income Tax for the year on above is Rs 110 Crore;
   iii. Effective Tax Rate for the year 2021-22 = 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 2021-22 is Rs. 150 Crore;
   ii. Income Tax for the year on above will be ZERO.
   iii. Effective Tax Rate for the year 2021-22 = 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, than 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 RoE and Post-Tax RoE (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.

41.5. 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. The Generating Company, or the Transmission Licensee or SLDC or Distribution Licensee, as the case may be, may include this variation in its truing up Petition:

Provided that tax on any income stream other than the core business shall not be a pass through component in tariff and tax on such other income shall be borne by the Generating Company or Licensee or SLDC as the case may be.

However, 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.

42. Rebate

42.1. For payment of bills of generation tariff or transmission charges or SLDC 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 2% 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.

42.2. Where payments are made subsequently through opening of Letter of Credit or otherwise, but within a period of one month 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.

42.3. For payment of bills of retail tariff by the consumers within 7 days of presentation of bills, a rebate of 1% on the billed amount, excluding the taxes, cess, duties, etc., may be allowed;

42.4. Such rebate earned by the Distribution Licensee shall be considered under Non-Tariff Income for the Distribution Licensee;

42.5. 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.

43. Delayed Payment Surcharge

43.1. In case the payment of bills of generation tariff or transmission charges or by the beneficiary or beneficiaries is delayed beyond the due date, late payment surcharge at the rate of 1.25% per month on billed amount shall be levied for the period of delay by the Generating Company or the Transmission Licensee, as the case may be.

43.2. Late payment surcharge for the retail consumer shall be recoverable as per the provisions of relevant Regulations.

43.3. 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.

43.4. 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

44. Foreign Exchange Rate Variation

44.1. 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.

44.2. 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.

44.3. 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.

44.4. 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.

45. Recovery of cost of hedging Foreign Exchange Rate Variation

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

46. Applicability

46.1. The Regulations specified in this Chapter shall apply for determining the tariff for supply of electricity to a Distribution Licensee from conventional sources of generation and hydro generation stations of capacity more than 25 MW:

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.

46.2. 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 the 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.

46.3. 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.

47. Petition for determination of generation tariff

47.1. 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.

47.2. 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.

47.3. Where the tariff is being determined for Stage or Generating Unit of a Generating Station, the 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 the 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.

47.4. In the case of existing projects, the Commission may allow the Generation Company, the tariff based on the approved capital cost as on the April 1, 2021 and projected additional capital expenditure for the ensuing financial years:

Provided that the Generation Company shall continue to bill the beneficiaries at the tariff approved by the Commission and applicable as on March 31, 2021for the period starting from April 1, 2021 till approval of tariff by the Commission in accordance with these Regulations.

47.5. The 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.

47.6. The 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.

47.7. In the case of new projects, the 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.

47.8. 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 the Generation Company

shall be required to file after the date of commercial operation of the project, afresh application for determination of tariff.

47.9. The 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.

47.10. 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.

47.11. 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, the 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 Base 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.

47.12. 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, the 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 Base 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.

47.13. 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.

48. Capital Investment Plan

48.1. The 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:

48.2. The 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 this 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.

48.3. 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 energy charges and capacity charges of the Generating Station.

48.4. The 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.

49. Fuel Utilization Plan

49.1. The Generating Company shall prepare and submit Fuel Utilisation Plan for the Control Period commencing on April 1, 2021, along with the Petition for determination of Tariff for the Control Period from April 1, 2021 to March 31, 2026, in accordance with Chapter 2 of these Regulations, to the Commission for approval.

49.2. The Fuel Utilisation 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

49.3. The Fuel Utilisation 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 utilisation of Fuel:

Provided that the forecast or estimates for the Control Period from FY 2021-22 to FY 2025-26 shall be prepared for each month over the Control Period:

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

The beneficiary/ies shall file comments/suggestions on such Plan during proceedings of Tariff Petition as per Regulation 26.

49.4. Annual Fuel Utilisation 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 utilisation plan and actual Fuel utilisation along with the cost impact from FY 2022-23 onwards.

Provided 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 Utilisation Plan under Regulation 49.1, apply for modification in the Fuel Utilisation Plan, during filing of the petition in the remaining part of the Control Period.

Provided at the time of review of the Annual Fuel Utilisation 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 Utilisation Plan under Regulation 49.1, if it deems appropriate, modify the Annual Fuel Utilisation Plan for the remainder of the Control Period, at the time of annual tariff proceedings.

50. Components of Tariff

50.1. 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).

50.2. 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.

51. Annual Capacity Charges

51.1. The Annual Capacity Charges shall comprise of the following elements:

(i) Depreciation;

(ii) Interest and Finance Charges on Loan Capital;

(iii) Interest on Working Capital;

(iv) Operation & Maintenance Expenses;

(v) Return on Equity;

(vi) Income Tax

(vii) Special allowance in lieu of Renovation & Modernisation, wherever applicable;

(viii) SLDC Fees and Charges minus:

(ix) Non-Tariff Income:

Provided that Depreciation, Interest and finance charges on Loan Capital, Interest on Working Capital, Income Tax and Return on Equity 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.

52. Renovation & Modernisation

52.1. The 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 the Generating Company.

52.2. Where the 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.

52.3. In case of gas/ liquid fuel based open/combined cycle thermal generating station, any expenditure which has become necessary for renovation of gas turbines/steam turbine after 25 years of operation from its COD and an expenditure necessary due to obsolescence or non-availability of spares for efficient operation of the stations shall be allowed:

Provided that any expenditure included in the R&M on consumables and cost of components and spares which is generally covered in the O&M expenses during the major overhaul of gas turbine shall be suitably deducted after due prudence from the R&M expenditure to be allowed.

52.4. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on the estimates of renovation and modernization expenditure and life extension, and after deducting the accumulated depreciation already recovered from the original project cost, shall form the basis for determination of tariff.

52.5. In case of coal-based/lignite fired thermal generating station, the Generating Company, may, at its discretion, avail of a 'special allowance' in accordance with the norms specified in Regulation 52.6, 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, 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 for which Renovation and Modernization has been undertaken and the expenditure has been admitted by the Commission before the date of effectiveness of these Regulations, or for a generating station or unit which is in a depleted condition or operating under relaxed operational and performance norms.

52.6. The Special Allowance shall be @ Rs. 9.5 lakh/MW/year for the year 2021-22 and thereafter escalated at the rate equal to $INDEX_{Esc}$ as defined in Regulation 2, every year during the Control Period, unit-wise from the next financial year from the respective date of the completion of useful life with reference to the date of commercial operation of the respective unit of generating station:

Provided that in respect of a unit in commercial operation for more than 25 years as on April 1, 2021, this allowance shall be admissible from the year 2021-22:

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 be allowed Special Allowance by escalating the special allowance allowed for the year 2020-21 at the rate equal to INDEX $_{Esc}$ as defined in Regulation 2, every year during the Control Period.

52.7. 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.

53. Sale of Infirm Power

53.1. 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.

54. Non-Tariff Income

54.1. 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 the Generation Company:

Provided that the 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.

54.2. 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) Deferred Income from grant, subsidy, etc., as per Annual Accounts;

j) Income from advertisements, sale of tender, etc;

k) Excess found on physical verification;

l) Interest on investments, fixed and call deposits and bank balances;

m) Prior period income,

n) Supervisory charges for contractual works;

o) 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.

55. Norms of operation for Thermal Generating Stations

55.1. Normative Annual Plant Availability Factor:

(a) Normative Annual Plant Availability Factor for full recovery of Annual Capacity Charges shall be 85 per cent for all thermal generating stations, except those covered under clause (b):

(b) 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 under Regulation 55.1 (b)

Station	Target Availability (%)
Ukai TPS (Unit 3 - 5)	82
Kutch Lignite TPS (Unit 3)	75
Kutch Lignite TPS (Unit 4)	80

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;

55.2. Gross Station Heat Rate – For existing Generating Stations:

(a) 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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Ukai TPS (Unit 3 - 5)	2559	2559	2559	2559	2559
Gandhinagar TPS (Unit 3 - 4)	2535	2535	2535	2535	2535
Wanakbori TPS (Unit 1 – 6)	2560	2560	2560	2560	2560
Kutch Lignite TPS (Unit 3)	3231	3231	3231	3231	3231
Kutch Lignite TPS (Unit 4)	2964	2964	2964	2964	2964
Dhuvaran CCPP - 2	1950	1950	1950	1950	1950
Ukai (Unit – 6)	2385	2385	2385	2385	2385
Dhuvaran CCPP-3	1850	1850	1850	1850	1850
Sikka (Unit 3 - 4)	2398	2398	2398	2398	2398
Gandhinagar TPS (Unit - 5)	2460	2460	2460	2460	2460
Wanakbori TPS (Unit 7)	2460	2460	2460	2460	2460
Dhuvaran CCPP - 1	1950	1950	1950	1950	1950
Utran Extension	1850	1850	1850	1850	1850

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;

(b) 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)

Station Name	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Sabarmati 'D'	2450	2450	2450	2450	2450
Sabarmati 'E'	2455	2455	2455	2455	2455
Sabarmati 'F'	2447	2447	2447	2447	2447

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;

55.3. Gross Station Heat Rate – For new Generating Units or stations achieving COD after the effectiveness of these Regulations:

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

= 1.05 x 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/cm2)	**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)			
Sub-Bituminous Indian Coal	2273	2267	2250
Bituminous Imported Coal	2197	2191	2174

Pressure Rating (Kg/cm2)	**247**	**247**	**270**	**270**
SHT/RHT (0C)	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

Pressure Rating (Kg/cm2)	**247**	**247**	**270**	**270**
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):

= 1.05 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.

55.4. Secondary fuel oil consumption:

(a) Secondary fuel oil consumption (SFC) for all thermal generating Units/Stations, except those covered under clause (b) and clause (c) shall be as under:

(i) Coal-based generating stations: 0.50 ml/kWh;

(ii) Lignite-Fired generating stations: 1.00 ml/kWh

(b) SFC norm for following GSECL stations, shall be as under:

Table 4: SFC (ml/kWh) for GSECL generating stations under Regulation 55.4 (b) for the Control Period

Stations	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Ukai TPS (Unit 3 - 5)	1.00	1.00	1.00	1.00	1.00
Gandhinagar TPS (Unit 3 -4)	1.00	1.00	1.00	1.00	1.00
Wanakbori (Unit1-6)	1.00	1.00	1.00	1.00	1.00
Kutch Lignite TPS (Unit 3)	3.00	3.00	3.00	3.00	3.00
Kutch Lignite TPS (Unit 4)	2.50	2.50	2.50	2.50	2.50
Ukai (Unit 6)	1.00	1.00	1.00	1.00	1.00
Sikka (Unit 3-4)	1.00	1.00	1.00	1.00	1.00
Gandhinagar TPS (Unit -5)	3.50	3.50	3.50	3.50	3.50
Wanakbori (Unit -7)	3.50	3.50	3.50	3.50	3.50

(c) 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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Sabarmati 'D', 'E', and 'F'	0.50	0.50	0.50	0.50	0.50

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.

55.5. Lime Stone consumption:

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

55.6. Auxiliary Energy Consumption:

(a) Existing generating stations of GSECL:

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

Stations	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Ukai TPS (Unit 3 - 5)	9.00	9.00	9.00	9.00	9.00
Gandhinagar TPS (Unit 3 - 4)	9.00	9.00	9.00	9.00	9.00
Wanakbori TPS (Unit 1 – 6)	9.00	9.00	9.00	9.00	9.00
Kutch Lignite TPS (Unit 3-4)	12.00	12.00	12.00	12.00	12.00
Ukai (Unit – 6)	6.00	6.00	6.00	6.00	6.00
DhuvaranCCPP-3	3.00	3.00	3.00	3.00	3.00
Sikka (Unit 3 - 4)	9.00	9.00	9.00	9.00	9.00
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
Gandhinagar TPS (Unit - 5)	9.50	9.50	9.50	9.50	9.50
Wanakbori TPS (Unit – 7)	9.50	9.50	9.50	9.50	9.50
Utran Extension	3.00	3.00	3.00	3.00	3.00

(a) Existing generating stations of TPL-G:

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

Stations	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Sabarmati 'D' and 'F'	9.00	9.00	9.00	9.00	9.00
Sabarmati 'E'	8.50	8.50	8.50	8.50	8.50

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.

(b) New Coal-based Generating Stations:

Table 8: Auxiliary Energy Consumption for the Control Period

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 further that for the thermal generating stations with induced draft cooling towers, the norms shall be further increased by 0.50%, as compared to the above norms.

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

Table 9: 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 :	

Name of Technology	AUXen (as % of gross generation)
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."

(d) 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 for generating stations having Gas Booster, 1% additional auxiliary consumption shall be allowed.

(e) 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 7 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.

55.7. **Norms for consumption of reagent:**

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

a. 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 x K x SHR x S]/[CVPF x 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 120 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 x Design SO2 Removal Efficiency/96%) for units to comply with SO2 emission norm of 100/200 mg/Nm3 or (26.8xDesign SO2 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%.

b. 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 [0.90x6 /PL(%)] gm/kWh;

c. For Dry Sorbent Injection System (using sodium bicarbonate): The specific consumption of sodium bicarbonate shall be 12 gm per kWh at 100% purity.

d. 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 x S x SHR /CVPF] x [0.85/ 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 120 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;

e. 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."

55.8. Transit and Handling Losses:

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 0.8% shall be applicable:

Provided further that in case of imported coal, the transit and handling losses shall be 0.2%, subject to terms of delivery.

56. Operation and Maintenance expenses for thermal Generating Stations

56.1. Existing Generating Stations that achieved CoD before April 1, 2021:

(a) 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 three Years ending March 31, 2020, 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, 2019, and shall be escalated at the respective escalation rate for FY 2019-20 and FY 2020-21, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2021;

Provided further that the escalation rate for FY 2019-20 and FY 2020-21 shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years 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 past three financial years as per the Labour Bureau, Government of India.

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

O&Mn = (R&Mn + EMPn + A&Gn)
Where,
R&Mn –Repair and Maintenance Costs of Generating Station / Generating unit for the n^{th} year;
EMPn –Employee Cost of Generating Station / Generating unit for the n^{th} year;
A&Gn –Administrative and General Costs of Generating Station / Generating unit for the n^{th} year;

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&Mn = K * GFA * (1+Index Esc_n)
(ii) EMPn+ A&Gn= (EMPn-1 + A&Gn-1) * (1+Index Esc_n)

Where,
'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of 'K' will be specified by the Commission in the MYT Order but Generating Company may propose the same in their MYT Petition.

'GFA' is the Opening balance of the gross fixed assets of the n^{th} 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 base year as derived in Regulation 56.1 (a) above;

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:

$Index\ Esc_n = WE_{CPI} * CPIn + WE_{WPI} * WPIn$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

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

'CPIn' (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 that for the purpose of determination of Operation and Maintenance Expenses for the whole Control Period, WPIn is to be computed based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years at the time of filing of Petition, as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and CPIn is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three financial years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, in the Truing-up of the O&M expenses for any particular year of the Control Period, WPIn is to be considered based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years (including the year of Truing-up) and CPIn is to be considered based on the average yearly inflation

derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past three financial years (including the year of Truing-up), for the purpose of determination of Operation and Maintenance Expenses for that year.

Provided further that in case an existing generating station has been in operation for less than three (3) 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 65:35.
(b) For Coal based Generating Stations of TPL, WE_{CPI}:WE_{WPI} is to be considered as 50:50.
(c) For Lignite and Gas based Generating Stations WE_{CPI}:WE_{WPI} is to be considered as 50:50.
(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 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 2020-21 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 three years including True-up year.

57. New Generating Stations achieving CoD post April 1, 2021:

a) For coal based generating Units/Stations:

Table 10: O&M Expense Norms of New Coal based Generating Stations for the Control Period (Rs. Lakh/MW)

Particulars	200/210/250 MW Series	500 MW Series	800 MW Series
FY 2021-22	22.39	10.03	19.64
FY 2022-23	23.41	10.48	20.42
FY 2023-24	24.46	10.95	21.35
FY 2024-25	25.57	11.45	22.31
FY 2025-26	26.72	11.97	23.32

Provided that the above norms shall be multiplied by the following factors for the additional Units whose COD occurs on or after April 1, 2021 in the same Station:

Additional 4th & 5th Units : 0.90

Additional 6th & more Units : 0.85

b) For lignite based generating stations:

Table 11: O&M Expense Norms of New Lignite based Generating Stations for the Control Period (Rs. Lakh/MW)

Particulars	O&M Expense Norms
FY 2021-22	33.37
FY 2022-23	34.76
FY 2023-24	36.20
FY 2024-25	37.71
FY 2025-26	39.28

c) Gas Turbine/Combined Cycle generating stations:

Table 12: O&M Expense Norms of New Gas Turbine/Combined Cycle generating stations for the Control Period (Rs. Lakh/MW)

Year	Gas Turbine/Combined Cycle generating stations other than small gas turbine power generating stations	Small gas turbine power generating stations	Advance 'F' Class Machines
FY 2021-22	20.89	38.80	28.23
FY 2022-23	21.76	40.20	29.25
FY 2023-24	22.66	41.64	30.30

Year	Gas Turbine/Combined Cycle generating stations other than small gas turbine power generating stations	Small gas turbine power generating stations	Advance 'F' Class Machines
FY 2024-25	23.61	43.14	31.39
FY 2025-26	24.59	44.70	32.52

58. Norms of operation for Hydro Generating Stations

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

Table 13: Normative Annual Plant Availability Factor and Auxiliary Consumption for GSECL existing Hydro Generating Stations

Station	Normative Annual Plant Availability Factor (NAPAF)	Aux. Consumption incl. Transformer Losses
Ukai Hydro	80 %	0.6%
Kadana Hydro	80 %	1.00%

58.2. 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.

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

(a) Surface hydro generating stations:
   i. With rotating exciters mounted on the generator shaft: 0.70%;
   ii. With static excitation system: 1.00%;

(b) Underground hydro generating station:
   i. With rotating exciters mounted on the generator shaft: 0.90%;
   ii. With static excitation system: 1.20%.

59. Operation and Maintenance Expenses for Hydro Generating Stations

59.1. For Existing Stations:

(a) 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 three Years ending March 31, 2020, 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, 2019, and shall be escalated at the respective escalation rate for FY 2019-20 and FY 2020-21, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2021;

Provided further that the escalation rate for FY 2019-20 and FY 2020-21 shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years 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 past three financial years as per the Labour Bureau, Government of India

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

O&Mn = (R&Mn + EMPn + A&Gn)

Where,

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

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

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

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) $R\&Mn = K * GFA * (1+Index\ Esc_n)$

(ii) $EMPn+ A\&Gn= (EMPn-1 + A\&Gn-1) * (1+Index\ Esc_n)$

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of 'K' will be specified by the Commission in the MYT Order but Generating Company may propose the same in their MYT Petition.

'GFA' is the Opening balance of the gross fixed assets of the n^{th} 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 base year as derived in Regulation 59.1 (a) above;

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:

$Index\ Esc_n = WE_{CPI}*CPIn + WE_{WPI}*WPIn$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

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

'CPIn' (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 that for the purpose of determination of Operation and Maintenance Expenses for the whole Control Period, WPIn is to be computed based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years at the

time of filing of Petition, as per the Office of Economic Advisor, Ministry of Commerce & Industry, Government of India and CPIn is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three financial years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, in the Truing-up of the O&M expenses for any particular year of the Control Period, WPIn is to be considered based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years (including the year of Truing-up) and CPIn is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past three financial years (including the year of Truing-up), for the purpose of determination of Operation and Maintenance Expenses for that year.

Note:

(a) For Hydro based generating stations WE_{CPI}:WE_{WPI} is to be considered as 70:30.
(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 2020-21 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 three years including True-up year.

59.2. For New Stations:

a) O&M expenses for the first year of operation will be 2% of the original project cost 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 59.1.

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

60.1. The fixed cost of a thermal generating station shall be computed on annual basis, based on 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 / allocation in the capacity of the generating station.

60.2. The capacity charge payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:

CC_1= (AFC/12) (PAF_1 / NAPAF) subject to ceiling of (AFC/12)

CC_2 = ((AFC/6) (PAF_2 / NAPAF) subject to ceiling of (AFC/6)) – CC_1

CC_3 = ((AFC/4) (PAF_3 / NAPAF) subject to ceiling of (AFC/4)) –(CC_1+CC_2)

CC_4 = ((AFC/3) (PAF_4 / NAPAF) subject to ceiling of (AFC/3)) – (CC_1+CC_2+CC_3)

CC_5 = ((AFC x 5/12) (PAF_5 / NAPAF) subject to ceiling of (AFC x 5/12) - (CC_1+CC_2+CC_3+CC_4)

CC_6 = ((AFC/2) (PAF_6 / NAPAF) subject to ceiling of (AFC/2)) – (CC_1+CC_2+CC_3+CC_4+CC_5)

CC_7= ((AFC x 7/12) (PAF_7 / NAPAF) subject to ceiling of (AFC x 7/12)) – (CC_1+CC_2+CC_3+CC_4+CC_5+CC_6)

CC_8 = ((AFC x 2/3) (PAF_8 / NAPAF) subject to ceiling of (AFC x 2/3)) – (CC_1+CC_2+CC_3+CC_4+CC_5+CC_6+CC_7)

CC_9 = ((AFC x 3/4) (PAF_9 / NAPAF) subject to ceiling of (AFC x 3/4)) – (CC_1+CC_2+CC_3+CC_4+CC_5+CC_6+CC_7+CC_8)

CC_{10}= ((AFC x 5/6) (PAF_{10} / NAPAF) subject to ceiling of (AFC x 5/6)) – (CC_1+CC_2+CC_3+CC_4+CC_5+CC_6+CC_7+CC_8+CC_9)

CC_{11} = ((AFC x 11/12) (PAF_{11} / NAPAF) subject to ceiling of (AFC x 11/12)) – (CC1+CC2+CC3+CC4+CC5+CC6+CC7+CC8+CC9+CC10)

CC_{12} = ((AFC) (PAF_Y / NAPAF) subject to ceiling of (AFC)) – (CC_1+CC_2+CC_3+CC_4+CC_5+CC_6+CC_7+CC_8+CC_9+CC_{10}+CC_{11})

Provided that in case of generating station or unit thereof or transmission system or an element thereof, as the case may be, under shutdown due to Renovation and Modernisation, the generating company or the transmission licensee shall be allowed to recover part of AFC which shall include O&M expenses and interest on loan only.

Where,

AFC = Annual fixed cost specified for the year, in Rupees.

NAPAF = Normative annual plant availability factor in percentage.

PAFN = Percent Plant availability factor achieved up to the end of the n^{th} month.

PAFY = Percent Plant availability factor achieved during the Year

CC1, CC2, CC3, CC4, CC5, CC6, CC7, CC8, CC9, CC10, CC11 and CC12 are the Capacity Charges of 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th, 11th and 12th month, respectively.

60.3. The PAFM upto the end of a particular month and PAFY shall be computed in accordance with the following formula:

$$\text{PAFM or PAFY} = 10000 \times \sum_{i=1}^{N} DCi / \{ N \times IC \times (100 - AUX) \} \%$$

Where,

AUX= Normative auxiliary energy consumption in percentage.

DCi = Average declared capacity (in ex-bus MW), for the i^{th} day of the period i.e. the month or the year as the case may be, as certified by the concerned load dispatch centre after the day is over.

IC= Installed Capacity (in MW) of the generating station

N= Number of days during the period.

Note: DCi and IC shall exclude the capacity of generating units not declared under commercial operation. In case of a change in IC during the concerned period, its average value shall be taken.

60.4. The 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.}

60.5. 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 x CVSF) x LPPF / CVPF+SFC x LPSFi + LC x LPL} x 100 / (100 – AUX)

(b) For gas and liquid fuel based stations

ECR = GHR x LPPF x 100 / {CVPF x (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 subject to the maximum stacking loss of 85 kcal/kg for pithead stations and 120 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:

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.

60.6. The 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.

60.7. 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 55.8.

60.8. The 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.

60.9. The 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.

60.10. 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 60.11:

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.

60.11. 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.

60.12. 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 as stipulated by the Commission from time to time.

61. Computation and Payment of Capacity Charges and Energy Charges for Hydro Generating Stations

61.1. 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.

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

AFC x 0.5 x NDM / NDY x (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.

61.3. The PAFM shall be computed in accordance with the following formula:

$$PAFM = 10000 \times \sum_{i=1}^{N} DCi / \{ N \times IC \times (100 - AUXn - AUXen) \} \%$$

Where;

AUX_n = Normative auxiliary energy consumption in percentage;

AUXen= Normative auxiliary energy consumption for pollution control system as a percentage of gross energy generation, wherever applicable;

DCi = Declared capacity (in ex-bus MW) for the i^{th} day of the month which the station can deliver for at least three (3) hours; as certified by the Gujarat State Load Despatch Centre after the day is over.

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

N= Number of days in the month.

61.4. 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

61.5. 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:

ECR = AFC x 0.5 x 10 / {DE x (100 – AUX)};

Where;

DE = Annual Design Energy specified for the hydro generating station, in MWh, subject to the provision in Regulation 61.6 below.

61.6. 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 areA1 and A2MWh, respectively, A1 being less than DE, then the Design Energy to be considered in the formula in these Regulations for calculating the ECR for the third financial year shall be moderated as (A1 + A2 – DE) MWh, subject to a maximum of DE MWh and a minimum of A1 MWh;

(iii) Actual energy generated (e.g., A1, A2) shall be arrived at by multiplying the net metered energy sent out from the station by 100 / (100 – AUX).

61.7. In case the Energy Charge Rate (ECR) for a hydro generating station, as computed in Regulation 61.5 above, exceeds ninety paise per kWh, and the actual saleable energy in a year exceeds {DE x (100 – 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.

61.8. 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.

62. Demonstration of declared capacity

62.1. 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.

62.2. 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.

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.

63. Billing and Payment of Charges

63.1. 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.

63.2. The Billing and Payment of Capacity Charges and Energy Charges for Hydro Generating Stations shall be done on a monthly basis.

64. Sharing of CDM Benefits

64.1. 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:

64.1.1. 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;

64.1.2. 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.

65. Deviation Charges

65.1. 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.

65.2. 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.

66. Compensation in relation to operation on account of backing down

66.1. 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

67. Applicability

67.1. The Regulations contained in this Chapter shall apply to determination of tariff for access and use of the intra-State transmission system 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 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.

67.2. 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.

68. Components of tariff

68.1. The Annual Transmission Charges for each financial year of the Control Period shall provide for the recovery of the Aggregate Revenue Requirement of the 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.

68.2. 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 Chapter2 of these Regulations.

69. Capital Investment Plan

69.1. The 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:

69.2. The 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 this 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.

69.3. The 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.

69.4. The 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.

69.5. The Capital Investment Plan of the Transmission Licensee shall be consistent with the transmission system plan for the intra-State transmission system.

70. Norms for operation

Target availability for the transmission system shall be as under:

(i) For full recovery of annual transmission charges:

(a) AC system :98 per cent;

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

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

(c) AC system :98.5 per cent;

(d) 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 37.

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.

71. Calculation of Aggregate Revenue Requirement

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

(a) Depreciation;

(b) Interest and Finance Charges on Loan Capital;

(c) Interest on working capital and deposits from Transmission System Users;

(d) Operation and maintenance expenses;

(e) Contribution to contingency reserves, if any;

(f) Return on Equity (ROE);

(g) Income Tax;

minus:

(h) Non-Tariff Income;

(i) Revenue from short-term transmission charges projected on the basis of latest audited figures; and

(j) Income from Other Business, to the extent specified in these Regulations.

Provided that Depreciation, Interest and finance charges on Loan Capital, Interest on Working Capital and Return on Equity 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 alongwith the Petition under these Regulations:

71.2. Operation and Maintenance expenses:

71.2.1. 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:

71.2.2. Existing Transmission Licensee:

a) The norms for Operation and Maintenance expenses for existing Transmission Licensees shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past three Years ending March 31, 2020, 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 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 past three

Years ending March 31, 2020, 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, 2019, and shall be escalated at the respective escalation rate for FY 2019-20 and FY 2020-21, to arrive at the norms for Operation and Maintenance expenses per bays and per ckt-km for the base year ending March 31, 2021.

Provided further that the escalation rate for FY 2019-20 and FY 2020-21 shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years 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 past three financial years as per the Labour Bureau, Government of India.

b) The norms for Operation and Maintenance expenses per bays and per ckt-km for n^{th} year of the Control Period shall be determined based on the formula shown below:

i. $O\&M\ per\ bay_n = (O\&M\ per\ bay_{n-1}) * (1+Index\ Esc_n)$

ii. $O\&M\ per\ ckt\text{-}km_n = (O\&M\ per\ ckt\text{-}km_{n-1}) * (1+Index\ Esc_n)$

Where,

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

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

Provided that for first year of control period $O\&M\ per\ bay_{n-1}$ and $O\&M\ per\ ckt\text{-}km_{n-1}$ shall mean norms for Operation and Maintenance expenses per bays and per ckt-km of base year as derived in Regulation 71.2.2 (a) above;

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:

$Index\ Esc_n = WE_{CPI} * CPIn + WE_{WPI} * WPIn$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

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

'CPIn' (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 that for the purpose of determination of norms for Operation and Maintenance Expenses per bays and per ckt-km for the whole Control Period, WPIn is to be computed based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years at the time of filing of Petition, as per the Office of Economic Advisor, Ministry of Commerce & Industry, Government of India and CPIn is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three financial years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

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, WPIn is to be considered based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years (including the year of Truing-up) and CPIn is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past three financial years (including the year of Truing-up), for the purpose of determination of norms for Operation and Maintenance Expenses per bays and per ckt-km for that year.

Note:

(a) For Transmission Licensee WE_{CPI}:WE_{WPI} is to be considered as 70:30.

(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 71.2.2 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 2020-21 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 three 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.

71.2.3. For New Transmission Licensee:

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

Provided 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 licence is granted by the Commission after the date of effectiveness of these Regulations, and whose transmission project assets are commissioned after March 31, 2021.

Explanation 2: For the purpose of deriving normative O&M expenses under Regulation 71.2, '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.

71.3. Contribution to contingency reserve:

71.3.1. 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 amount so appropriated is not invested in securities, then the normative interest income, computed at the weighted average Base Rate or any replacement thereof 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 Transmission Licensee.

71.3.2. 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.

71.3.3. No diminution in the value of contingency reserve as mentioned above shall be allowed to be adjusted as a part of tariff.

72. Non-Tariff Income

72.1. 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.

72.2. 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 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 advertisements, sale of tender etc.;

(j) Miscellaneous receipts like parallel operation charges;

(k) Deferred Income from grant, subsidy, etc., as per Annual Accounts;

(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 Transmission Licensee shall not be included in Non-Tariff Income.

73. Income from Other Business

73.1. Where the Transmission Licensee is engaged in any Other Business, 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 annual transmission charges of the Transmission Licensee:

Provided that the Transmission Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Transmission Business and the Other Business and shall submit the Allocation Statement, duly audited and certified by the Statutory Auditor, to the Commission along with his application for determination of tariff:

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the Aggregate Revenue Requirement of the Transmission Licensee on account of such Other Business.

74. Determination of Transmission Charges

74.1. The 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.

74.2. The 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.

75. Sharing of charges for Intra-State Transmission Network

75.1. The 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:

MTCn = (Transmission ARR x CCn ÷ SCC) ÷ 12

Where,

MTCn = Monthly transmission charges payable by the n^{th} 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 68of these Regulations;

CCn = capacity contracted in MW by the n^{th} 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 ATCn 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).

75.2. 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 (Rs/kWh) = Transmission ARR ÷ Total units wheeled,

Where,

Transmission ARR = Aggregate Revenue Requirement of the Transmission Licensee, determined in accordance with Regulation 71 of these Regulations;

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 truing up year divided by the actual transmission capacity utilized during the truing up year, and that is multiplied by the estimated transmission loading capacity for the financial year.

75.3. The 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.

76. Transmission losses

76.1. The energy losses in the transmission system of the Transmission Licensee, as determined by the 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 sub-station 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.

77. Usage of Intra-State Transmission System

77.1. All the matters related to Open Access Transactions shall be dealt with 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.

77.2. The charges for intra-State transmission usage shall be shared among various TSUs as specified in these Regulations.

78. Transmission Pricing Framework

78.1. 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.

79. Consequential Impact of any Government of India Scheme

79.1. The 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

80. Applicability

80.1. 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 1 2021.

81. Capital Investment Plan

81.1. The 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.

81.2. The SLDC shall submit the Capital Investment Plan as specified in Chapter 2 of these Regulations.

81.3. The 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 this 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.

81.4. 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 SLDC Fees and Charges.

81.5. 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.

81.6. The 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.

82. Levy and Collection of Charges from Generating Companies, Licensees and MTOA beneficiaries

82.1. All expenses incurred by the SLDC shall be accounted separately.

82.2. 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.

82.3. The 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;

(f) Interest on working capital;

(g) Return on Equity;

(h) Income Tax

minus

(i) Non-Tariff Income;

(j) Income from Open Access charges.

Provided that Depreciation, Interest and Finance Charges, Interest on working capital and Return on Equity 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 the 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 alongwith the Petition under these Regulations.

82.4. Operation and Maintenance expenses

(a) 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 three Years ending March 31,

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

Provided further that the escalation rate for FY 2019-20 and FY 2020-21 shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years 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 past three financial years as per the Labour Bureau, Government of India.

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

O&Mn = (R&Mn + EMPn + A&Gn)

Where,

R&Mn –Repair and Maintenance Costs of SLDC for the n^{th} year;
EMPn –Employee Cost of SLDC for the n^{th} year;
A&Gn –Administrative and General Costs of SLDC for the n^{th} year;

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&Mn = K * GFA * (1+Index Esc_n)
(ii) EMPn+ A&Gn= (EMPn-1 + A&Gn-1) * (1+Index Esc_n)

Where,
'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of 'K' will be specified by the Commission in the MYT Order but SLDC may propose the same in their MYT Petition.
'GFA' is the Opening balance of the gross fixed assets of the n^{th} 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 base year as derived in Regulation 82.4 (a) above;

$Index_{Esc}$ 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:

$Index\ Esc_n = WE_{CPI} * CPIn + WE_{WPI} * WPIn$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

'WPIn' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the n^{th} year.

'CPIn' (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 that for the purpose of determination of Operation and Maintenance Expenses for the whole Control Period, WPIn is to be computed based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years at the time of filing of Petition, as per the Office of Economic Advisor, Ministry of Commerce & Industry, Government of India and CPIn is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three financial years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, in the Truing-up of the O&M expenses for any particular year of the Control Period, WPIn is to be considered based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years (including the year of Truing-up) and CPIn is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past three financial years (including the year of Truing-up), for the purpose of determination of Operation and Maintenance Expenses for that year.

Note:

(a) For SLDC 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 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 2020-21 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 three 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 contactors and others;

(g) Scheduling and System Operation Charges;

(h) Miscellaneous receipts such as application fees, etc.;

(i) Excess found on physical verification;

(j) Interest on investments, fixed and call deposits and bank balances;

(k) Deferred Income from grant, subsidy, etc., as per Annual Accounts;

(l) Prior period income,

(m) 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. The RLDC Fees and Charges payable by the 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 the SLDC through the Fees and Charges as approved by the Commission.

84.2. The 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 the 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. The 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. The Fees and Charges so determined by the Commission shall be valid till the approval of next revision.

86.3. The 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. The 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. The SLDC shall furnish necessary monthly bills on the 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) * (ACi/SACi)

where,

SC = Approved SLDC Aggregate Revenue Requirement for the year;

ACi = 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';

SACi = 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. The Generating Companies, the 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 Base Rate or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing as on 1stApril of the respective financial year shall be payable on the unpaid amounts.

87.4. Generating Companies, the Licensee and MTOA beneficiaries shall arrange payment of the 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. The 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. The SLDC shall be entitled to utilise the money available in the LDCD 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 LDCD 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 drawls 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 LDCD 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 LDCD 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

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. The 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;

(c) Interest on working capital and deposits from Distribution System Users;

(d) Operation and maintenance expenses;

(e) Contribution to contingency reserves, if any;

(f) Return on Equity;

(g) Income Tax;

minus:

(h) Non-Tariff Income; and

(i) Income from Other Business, to the extent specified in these Regulations:

(j) 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, Interest on Working Capital, Return on Equity 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, 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 coming into 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.

91.2. Operation and Maintenance expenses:

(a) The Operation and Maintenance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past three Years ending March 31, 2020, 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, 2019, and shall be escalated at the respective escalation rate for FY 2019-20 and FY 2020-21, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2021;

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

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

$O\&Mn = (R\&Mn + EMPn + A\&Gn)$

Where,

R&Mn –Repair and Maintenance Costs of Distribution Wire Business for the n^{th} year;

EMPn –Employee Cost of Distribution Wire Business for the n^{th} year;

A&Gn –Administrative and General Costs of Distribution Wire Business for the n^{th} year;

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) $R\&Mn = K * GFA * (1+Index\ Esc_n)$

(ii) $EMPn+ A\&Gn= (EMPn-1 + A\&Gn-1) * (1+Index\ Esc_n)$

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of 'K' will be specified by the Commission in the MYT Order but Distribution Wire Business may propose the same in their MYT Petition.

'GFA' is the Opening balance of the gross fixed assets of the n^{th} 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 base year as derived in Regulation 91.2 (a) above;

$Index_{Esc}$ 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:

$Index\ Esc_n = WE_{CPI}*CPIn + WE_{WPI}*WPIn$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

'WPIn' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the n^{th} year.

'CPIn' (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 that for the purpose of determination of Operation and Maintenance Expenses for the whole Control Period, WPIn is to be computed based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years at the time of filing of Petition, as per the Office of Economic Advisor, Ministry of Commerce & Industry, Government of India and CPIn is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three financial years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, in the Truing-up of the O&M expenses for any particular year of the Control Period, WPIn is to be considered based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years (including the year of Truing-up) and CPIn is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past three financial years (including the year of Truing-up), for the purpose of determination of Operation and Maintenance Expenses for that year.

Note:-

(a) For State Distribution Wire Business WE_{CPI}:WE_{WPI} is to be considered as 75:25.

(b) For Private 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 trued-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 2020-21 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 three years including True-up year.

91.3. Contribution to contingency reserves:

91.3.1. The 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 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 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 the weighted average Base Rate or any replacement thereof 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.

91.3.2. 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.

No diminution in the value of contingency reserve as mentioned above shall be allowed to be adjusted as a part of tariff.

92. Allocation Matrix

92.1. The Wheeling Charges of the Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Distribution Wires Business:

Provided that where the Distribution Licensee is not able to submit audited and certified separate accounts for Distribution Wires Business and Retail Supply Business, the following Allocation Matrix shall be applicable:

Table 14: 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%
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 also that once the Commission notifies the Regulations for submission of Regulatory Accounts, the wheeling charges of the Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Distribution Wires Business.

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.

93. Capital Investment Plan

93.1. The 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.

93.2. The Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission.

93.3. 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.

93.4. The Distribution licensee shall submit the Capital Investment Plan as specified in Chapter 2 of these Regulations.

93.5. The 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 this 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.

93.6. 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 wheeling charges of the Distribution Wire Business.

93.7. 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.

93.8. 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.

93.9. The 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.

94. Non-Tariff Income

94.1. 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:

94.2. 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.

94.3. 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 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 advertisements, sale of tender, etc.;

(j) Miscellaneous receipts;

(k) Interest on advances to suppliers;

(l) Excess found on physical verification;

(m) Deferred Income from grant, subsidy, etc., as per Annual Accounts;

(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 Distribution Wires Business of the Distribution Licensee shall not be included in Non-Tariff Income.

95. Income from Other Business

Where the Distribution wire 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 half 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 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 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.

96. Determination of Wheeling Charges

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.

97. Wheeling Losses

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, as stipulated in the respective Tariff Order.

Chapter 8 : RETAIL SUPPLY OF ELECTRICITY

98. Applicability

These Regulations shall apply to determination of tariff for retail supply of electricity by a Distribution Licensee to its consumers.

99. Components of Tariff

99.1. The 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 excluding rebate on power purchase;

(b) Intra-State Transmission charges

(c) SLDC Fees & Charges;

(d) Depreciation;

(e) Interest and Finance Charges;

(f) Interest on working capital and on consumer security deposits;

(g) Operation and Maintenance expenses;

(h) Bad debts written off, if any;

(i) Return on Equity;

(j) Income Tax;

(k) 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:

(l) Non-Tariff Income;

(m) Income from Other Business, to the extent specified in these Regulations;

(n) Receipts on account of cross-subsidy surcharge;

(o) Receipts on account of additional surcharge on charges for wheeling;

(p) Revenue from Sale of Surplus Power (Other than to retail consumers):

Provided that Depreciation, Interest and finance charges, Interest on Working Capital, Return on Equity 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 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.

99.2. The tariff for retail supply by a Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Retail Supply Business:

Provided that where the Distribution Licensee is not able to submit audited and certified separate accounts for Distribution Wires Business and Retail Supply Business, the Allocation Matrix as given in Table 14 shall be applicable:

Provided further that the operation and maintenance expenses shall be allocated between the 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 also that once the Commission notifies the Regulations for submission of Regulatory Accounts, the retail supply tariff of the Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Retail Supply Business.

99.3. The tariff for retail supply by 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 further that the 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.

99.4. The 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.

99.5. The Distribution Licensee shall be allowed to offer a rebate to the consumers on tariff and charges determined by the Commission:

Provided that the 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 the 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.

99.6. Cost of power generation/power purchase:

99.6.1. The Distribution Licensee shall be allowed to recover the cost of power generated by the Generation Business or purchased from approved sources for supply to consumers based on the power procurement plan of the Distribution Licensee, approved by the Commission.

99.7. Approval of additional Procurement

99.7.1. The 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).

99.7.2. Where the 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 the 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.

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.

99.7.3. 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.

99.7.4. Where the 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 the 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.

99.7.5. The Commission may permit any Distribution Licensee to make purchase of power without prior approval subject to Competitive/Open 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, 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 Regulations 99.7, 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.

99.8. Transmission Charges:

The 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.

99.9. SLDC Fees & Charges:

The 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.

99.10. Operation and Maintenance expenses:

(a) The Operation and Maintenance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past three Years ending March 31, 2020, 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, 2019, and shall be escalated at the respective escalation rate for FY 2019-20 and FY 2020-21, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2021;

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

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

$O\&Mn = (R\&Mn + EMPn + A\&Gn)$

Where,

R&Mn –Repair and Maintenance Costs of Distribution Retail Supply Business for the n^{th} year;

EMPn –Employee Cost of Distribution Retail Supply Business for the n^{th} year;

A&Gn –Administrative and General Costs of Distribution Retail Supply Business for the n^{th} year;

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) $R\&Mn = K * GFA * (1+Index\ Esc_n)$

(ii) $EMPn+ A\&Gn= (EMPn-1 + A\&Gn-1) * (1+Index\ Esc_n)$

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the n^{th} year. The value of 'K' will be specified by the Commission in the MYT Order but Distribution Retail Supply Business may propose the same in their MYT Petition.

'GFA' is the Opening balance of the gross fixed assets of the n^{th} 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 base year as derived in Regulation 99.10 (a) above;

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:

$Index\ Esc_n = WE_{CPI}*CPIn + WE_{WPI}*WPIn$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

'WPIn' (expressed in %) means the average yearly inflation of Wholesale Price Index (all commodities) over the years for the n^{th} year.

'CPIn' (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 that for the purpose of determination of Operation and Maintenance Expenses for the whole Control Period, WPIn is to be computed based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years at the time of filing of Petition, as per the Office of Economic Advisor, Ministry of Commerce & Industry, Government of India and CPIn is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three financial years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, in the Truing-up of the O&M expenses for any particular year of the Control Period, WPIn is to be considered based on the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past three financial years (including the year of Truing-up) and CPIn is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past three financial years (including the year of Truing-up), for the purpose of determination of Operation and Maintenance Expenses for that year.

Note:-

(a) For State Distribution Retail Supply Business WE_{CPI}:WE_{WPI} is to be considered as 75:25.
(b) For Private Distribution 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 trued-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 2020-21 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 three years including True-up year.

99.11. Bad debts written off:

99.11.1. 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, 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.

100. Capital Investment Plan

100.1. The 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.

100.2. The Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission.

100.3. The Distribution licensee shall submit the Capital Investment Plan as specified in Chapter 2 of these Regulations.

100.4. The 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 this 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

100.5. 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.

100.6. 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.

100.7. 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.

100.8. 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.

101. Sales forecast

101.1. The 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.

101.2. 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.

101.3. The Commission shall examine the forecasts for their reasonableness based on growth in the number of consumers, pattern of consumption, losses and demand of electricity in previous years and anticipated growth in the next year and any other factor, which the Commission may consider relevant and approve. the sales forecast with such modifications as deemed fit.

102. Non-Tariff Income

102.1. 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.

102.2. 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 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 advertisements, sale of tender, etc.;

(j) Meter/metering equipment/service line rentals;

(k) Service charges, supervision charges for contractual works, etc;

(l) Customer charges;

(m) Recovery for theft and pilferage of energy;

(n) Prompt Payment Rebate

(o) Miscellaneous receipts;

(p) Deferred Income from grant, subsidy, etc., as per Annual Accounts;

(q) Prior period income,

(r) Rebate on Power Purchase and Transmission Charges;

(s) 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.

103. Income from Other Business

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 half 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 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 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.

104. Receipts on account of cross-subsidy surcharge

The 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.

105. Receipts on account of Additional Surcharge

The 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.

106. Distribution Losses

The Distribution Licensee shall recover the approved level of distribution losses arising from the Retail Supply of electricity:

Provided further that the Commission may stipulate a trajectory for distribution losses for the period from FY 2021-22 to FY 2025-2026 in accordance with these Regulations, as part of the Order on the MYT Petition to be filed by the Distribution Licensee under Regulation 17.2 (a):

Provided also 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.

107. Determination of Tariff

107.1. 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.

107.2. 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 99.1 to the total sales of the Distribution Licensee for the respective financial year.

107.3. The Commission shall endeavour 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.

107.4. 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.

108. Fuel Price and Power Purchase Price Adjustment

108.1. The amount of Fuel Price and Power Purchase Price Adjustment (FPPPA) shall be determined only for any variation in the actual power purchase cost and Base Power Purchase cost approved, whereby the Power procurement is from the approved sources.

108.2. FPPPA shall be determined as per the Order of the Commission in Case No. 1309/2013 and 1313/2013 vide dated 29.10.2013 or as amended from time to time.

Provided Information regarding FPPPA recovery and the FPPPA calculations shall be kept on the website of the Licensee.

108.3. For any increase in FPPPA beyond ten (10) paise per kWh in a quarter, worked out on the basis of approved formula of the Order as issued by the Commission from time to time basis, prior approval of the Commission shall be necessary and only on approval of such additional increase by the

Commission, the FPPPA can be billed to consumers. FPPPA calculations shall be submitted to the Commission within one month from the end of the relevant quarter.

-Sd-
(Roopwant Singh, IAS)
Secretary
Gujarat Electricity Regulatory Commission
Gandhinagar

Place: Gandhinagar
Date: 10/08/2020

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	5.28%
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%

Annexure II

Procedure for calculation of Transmission System Availability for a month

1. Transmission system availability factor for a calendar month (TAFM) shall be calculated by the respective Transmission Licensee certified by the SLDC, separately for each AC and HVDC transmission system and grouped according to sharing of transmission charges.

2. TAFM, in percent, shall be equal to (100 – 100 x NAFM), where NAFM is the non-availability factor in per unit for the month, for the transmission system / sub-system.

3. NAFM for A.C. systems / sub-systems shall be calculated as follows:

$$NAFM = \left[\sum_{l=1}^{L} (OH_l \times Cktkm_l \times NSC_l)\right] + \left[\sum_{t=1}^{T} (OH_t \times MVA_t \times 2.5)\right] + \left[\sum_{r=1}^{R} (OH_r \times MVAR_r \times 4)\right]$$

$$\div THM + \left[\sum_{l=1}^{L} (Cktkm_l \times NSC_l)\right] + \left[\sum_{t=1}^{T} (MVA_t \times 2.5)\right] + \left[\sum_{r=1}^{R} (MVAR_r \times 2.5)\right]$$

Where,

l	identifies a transmission line circuit
t	identifies a transformer / ICT
r	identifies a bus reactor, switchable line reactor or SVC
L	total number of line circuits
T	total number of transformers and ICTs
R	total number of bus reactor, switchable line reactor and SVC
OH	Outage hours or hours of non-availability in the month, excluding the duration of outages not attributable to the Transmission Licensee, if any, as per clause (5)
Ckt km	Length of a transmission line circuit in km
NSC	Number of sub-conductors per phase
MVA	MVA rating of a transformer / ICT
MVAR	MVAR rating of a bus reactor, switchable line reactor or an SVC (in which case it would be the sum of inductive and capacitive capabilities)
THM	Total hours in the month

4. NAFM for each HVDC system shall be calculated separately, as follows:

$$NAFM = [\Sigma (TCR \times hours)] \div [THM \times RC]$$

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.

5. 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.

6. 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 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.

7. The format for issuance of Availability Certificate by SLDC is given in **Appendix-I.**

Annexure III

GUJARAT ELECTRICITY REGULATORY COMMISSION

Guidelines for In-Principle Clearance of Proposed Investment Schemes

1 BACKGROUND:

1.1 The generating companies or licensee are required to make capital investment for various purpose such as for capacity growth, replacement of assets, renovation and modernization, power evacuation, system augmentation, network expansion, creation of new infrastructure to meet load growth, to meet statutory requirements, congestion management, improvement in metering, consumer services, collection efficiency, quality and reliability of supply etc. Any such capital investment increases the capital base and hence, the reasonable return which consequently have an impact on Tariff to consumers.

1.2 The principles of tariff determination as per the Act mandate balancing of consumer's interest while allowing reasonable return to the Utilities. The Tariff Policy 2016 sets the goal for ensuring availability of electricity to different categories of consumers at reasonable rates for achieving the objectives of rapid economic development of the country and improving the living standards of the people. It also envisages adequate return on investment for the developer to attract investment in the sector. Hence, it is very important for the Commission to encourage competition, efficiency, economical use of the resources, good performance and optimum investments so that generation, transmission, distribution and supply of electricity is conducted on commercial principles and the consumer's interest is safeguarded.

1.3 The licensees are required to identify the areas that need capital investment and also to ensure that such capital investments are necessary and justified, and do not impose an unnecessary burden on consumers by way of tariff. As capital investment has a direct correlation with the fixed charges to be recoverable through Tariff, the Commission always endeavors to allow capital investment after prudence check.

1.4 The Commission is of the view that the current investment approval approach through annual prudence check exercise requires further deliberation in detail in order to strengthen the process of investment approval. Various objectors during the Tariff Determination processes undertaken so far, have also raised the issue of the prudence of the capital investment being made by Licensees. Thus, in order to streamline the capital expenditure process, Commission intends to have guidelines that would not only govern the capital investment plan of the Utilities but also strengthen the existing approval approach.

1.5 Regulation 29 of the GERC Licensing of Transmission Regulations, 2005 and Regulation 31 of the GERC 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 Station / Units whose tariff is determined by Commission U/s. 62 of the Electricity Act 2003. Based on above the Commission has specified these guidelines.

2 SUBMISSION OF CAPITAL INVSTMENT PLAN

2.1 The 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 Financial Year for approval of the Commission.

2.2 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).

2.3 In case of Generation and Transmission related investments, the Capital Investment Plan shall be planned considering a 3-5 year investment horizon, and a 1-3 year horizon for Distribution and SLDC related investments.

2.4 The capital investment plan shall commensurate with:

a) For Generation Company

i. Generation Capacity Growth;

ii. Renovation and Modernization requirement;

iii. Meeting Statutory Norms, etc.

b) For Transmission Licensee

i. Nature of investment (evacuation project, system augmentation, system strengthening, IT related projects etc.);

ii. Details of physical parameters of the project such as circuit-kms, capacity in MVA, location of the project etc.;

iii. Break-up of investment in capacitor banks, improvement in quality of transmission service, reliability, metering, reduction in reactive power drawal and transmission losses.

iv. Policy and regulatory driven investments.

c) For SLDC Business:

i. Strengthening of the State Load Despatch Centres as per the direction of Ministry of Power, Government of India or any such other statutory authorities

ii. Development of IT Software,

iii. Capacity addition,

iv. Research & Development

v. Training, etc.

d) For Distribution Licensee

i. Load Reduction and system strengthening;

ii. System expansion for meeting load growth;

iii. Policy and regulatory driven investments;

iv. Technical and Non-Technical loss reduction;

v. Customer Service improvement;

vi. Addressing deteriorating assets and new technology investment, etc.

2.5 The Generation company or Transmission licensee or SLDC or Distribution licensee, as the case may be, shall adopt an objective driven approach for capex planning. They should 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.

2.6 The 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. Further, the capital investment proposals should constitute a least cost plan.

2.7 All proposed investments must be in accordance with the guidelines as laid down in the Planning Code of the GERC Grid Code.

3 REQUIREMENT OF IN-PRINCIPLE APPROVAL

3.1 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 the procedure which the Commission may specify from time to time and demonstrate to the satisfaction of the Commission that:

a. there is a need for the major investment in the Generation / Transmission / Distribution System which the Generation company or Transmission licensee or SLDC or Distribution licensee, as the case may be, proposes to undertake;

b. the Generation company or Transmission licensee or SLDC or Distribution licensee, as the case may be, has examined the economic, technical and environmental aspects of all viable alternatives to the proposal for investing in or acquiring new Generation / Transmission / Distribution System assets to meet such need; 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, 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 Rs. 15 Crore for Generation and Transmission Businesses, Rs. 10 Crore for Distribution Business and Rs. 0.25 Crore for SLDC or such other amount as may be notified by the Commission from time to time.

3.3 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.

4 SUSMISSION OF DETAILED PROJECT REPORT (DPR) FOR IN-PRINCIPLE APPROVAL

4.1 For those Capital Investment Schemes which equals or exceeds investment of Rs. 15 Crore for Generation and Transmission Businesses, Rs. 10 Crore for Distribution Business and Rs. 0.25 Crore for SLDC, the Licensee 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 herein.

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.

4.4 The Commission may, from time to time, also lay down formats for submission of DPR so as to facilitate assessment.

5 APPROVAL PROCESS

5.1 The Commission shall adopt a 2-Stage Approval Process:

a) In-Principle Approval

b) Final Approval during the Tariff Determination Process and/or ARR Review

5.2 **In-Principle Approval:**

i. 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.

ii. **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) Statutory/Safety Requirement

b) Need for the capital work along with the data capturing the existing status of the infrastructure

c) Bill of Material and Project Costing

d) Cost Assessment and Possibility of Phasing the Investment

e) Cost Benefit Analysis / Pay-back period

f) Execution timelines

g) Technical Justification

h) Risk analysis

i) Alternatives evaluated

j) Benefits to Consumers

iii. While submitting the DPR, the Generation company or Transmission licensee or SLDC or Distribution licensee would need to address the above evaluation criteria for the proper justification for approval of Capital Investment plan. The illustrative question for such justification is as provided below:

A. Statutory / Safety Requirement:

(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, 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.

B. Need for the Investment:

(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) Is any of the conditions as specified in Clause 2.4 is the objective to undertake such capital investment or any other reason?

C. Bill of Material and Project Costing:

(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:

a) Completeness: BoM should be complete in all respect relating to quantity, part description, item specification, supplier information, etc.
b) Consistency: Information in BoM should be consistent with that provided in engineering drawings and design files. A standardized format for BoM should be used across utilities.
c) Correctness: Correctness should be ensured by avoiding errors such as obsolete data and incorrect part numbers, quantity, etc.

D. Cost Assessment and Possibility of Phasing the Investment

(i) Whether Cost Estimates and likely escalations are reasonable and in keeping with market rates?

(ii) Whether the reference of the cost estimates has been provided on the basis of which BoM and Project costing is undertaken?

(iii) Whether Recurring Costs associated with the Scheme are reasonable?

(iv) Whether the least cost option has been considered (The basis for estimated cost shall be mentioned and such estimated cost shall be used as a baseline for Competitive bidding)?

(v) What is the actual amount of expenditure, if any, on the Scheme incurred to date by the utility?

(vi) Whether optimum drawal of loans is done in accordance with the physical progress of the capital expenditure schemes, and efficient utilisation of such loans?

(vii) Is it possible to defer the investment for its optimization?

E. Cost Benefit Analysis:

(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.

F. Execution timelines:

(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?

G. Technical Justification:

(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.)

H. Risk analysis:

(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.)

I. Evaluation of Alternatives:

(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.

J. Benefits to Consumers:

(i) What are the broad quantitative and qualitative benefits to consumers?

(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 from the consumer's point of view?

(iv) What are the results / benefits observed so far, if applicable?

5.3 **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.

5.4 **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 biding 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 etc. 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.

The following will be borne in mind when granting final approval to the Scheme:

(i) To what extent the scope and objectives given at the time of In-Principle Clearance have been achieved.

(ii) What is the actual expenditure incurred by the Licensee, as against the amount considered while granting In-Principle Clearance with justification for significant variations, particularly on the higher side?

(iii) Actual benefits and results achieved or to be achieved.

(iv) Whether the competitive bidding process has been strictly followed by the Utility?

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

It is expected that the amount categorized as per the above mentioned record shall match with the amount capitalized as per the books of accounts.

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 half-yearly basis. 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.

6.4 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 the 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.

6.5 Commission can review the prudence reports, for compression between the benefit envisaged at the in-principle clearance and the actual benefit.

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 CONSEQUENCES OF NOT OBTAINING IN-PRINCIPLE CLEARANCE

7.1 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.

7.2 Based on the information provided by the Utility as per the process as specified in the previous paragraphs, the Commission may, if it comes to the conclusion that the Utility had not followed the provisions of the guidelines or has been guilty of negligence or wilful default in implementing a Scheme which are not consistent with the objectives sought to be achieved by such investments, disallow recovery of such cost in the tariff order or pass such other orders, as the Commission may consider appropriate.

8 TIME FRAME:

8.1 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;

8.2 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.

8.3 The Commission shall issue the 'In-principle' clearance letter within 60 days of acceptance of submission, If the Commission found the proposed scheme prudent as per the aspects mentioned in these guidelines.

8.4 Utilities shall submit the half yearly progress report by the end of the first month of the next half year giving the status of implementation of each scheme.

8.5 In case the utilities fail to initiate the work, including tendering process if any, within one year of 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.

9 MISCELLANEOUS:

9.1 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.

9.2 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.

9.3 These guidelines shall be applicable for all Distribution, Transmission & Generating companies and SLDC in the State of Gujarat.

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, 2021.

The overall Transmission System Availability of the GETCO network for the year _____, computed in accordance with Annexure II of the GERC MYT Regulations, 2021, and after considering the provisions of Regulation 70 of the GERC MYT Regulations, 2021, is ___%.

Authorised Signatory

Copy to:_____