

Draft GERC Multi-Year Tariff Regulations 2023

Salient Features

Chapter 1: Preliminary

- Definition section has been updated by adding or editing terms to be consistent with proposed Draft of these Regulations and deleting the terms which are redundant for the draft Regulations.

Chapter 2: General Principles

- Submission of MYT Petition by all Utilities for all 5 years of the Control Period.
- Generation, Transmission and SLDC Utilities to submit proposed Tariff or Fees and Charges for all five 5 years of the Control Period.
- Distribution Utilities to submit proposed Tariff for ensuing year, i.e. first year of the Control Period.
- Generation, Transmission and SLDC Utilities to submit Mid-Term Review Petition (Truing-up for years 1 and 2; and Revised Forecast for years 4 and 5).
- Distribution Utilities to submit True-up, ARR and Tariff on annual basis along with Cost to Serve study for Truing-up year.
- Sharing of entire gains or losses on account of Uncontrollable factors.
- In case of Controllable factors, 2/3 of the gains to be passed on in the tariff as rebate, while 1/3 of the losses to be passed on as additional charge in tariff to the beneficiaries, users, consumers.
- Filing Procedure – Commission's official to conduct Technical Validation Session (TVS) before admittance of the Petition to satisfy that the Petition is complete in all respects.
- Applicant to submit and publish (post TVS) Petition in searchable pdf and Formats in excel format with computation and formulae link on its website for facilitating stakeholders' comments.
- Penalty on RoE rate @ 0.25% per month, if the Tariff Petitions are not submitted within specified timelines, i.e. 30th November of the relevant year.
- In case Petition or additional data not provided in specified time, corresponding revenue loss and associated carrying cost due to consequential delay in issue of the Order shall not be allowed.
- Subsidy Mechanism provision has been updated in line with applicable MoP Rules.

Chapter 3: Financial Principles

- Tariff Petitions shall include the Capital Investment Plan with details of Capex Schemes above threshold limit, i.e. DPR Schemes in accordance with the Guidelines for Capex Approval Framework, which includes scheme financed through Central or State Grants, Consumer Deposit.
- Wef the second year of the Control Period, only those DPR Schemes shall form part of the approved

ARR, which have been submitted and approved through the Capex Approval Framework.

- Ongoing DPR Schemes and DPR Schemes projected in the first years of the Control Period shall also be submitted separately for Commission's review and approval, on post-facto basis, in accordance with the Capex Approval Framework.
- Overall monetary capping of 20% for non-DPR Schemes and another 20% for DPR Schemes without prior 'in-principle' approval requirement.
- For existing Distribution Licensees supplying to SEZ, SIR, Ports and for New Distribution Licensees recovery of expenses attributable to the capitalized assets will be pro-rata basis till asset loading reaches 40%.
- Utilities to ensure procurement through competitive mode, geo-tagging and proper recording in Fixed Asset Register (FAR) for allowance of the asset capitalization. Geo-tagging of the existing assets to be geo-tagged to be undertaken in a phased manner, preferably with the Control Period and Commission to be provided with the access of the same for online monitoring.
- Distribution Licensee shall project the power purchase requirement, taking into consideration, the Resource Adequacy Guidelines issued by MoP, GoI, its Long-term Discom Resource Adequacy Plan (LT-DRAP), as vetted by the Central Electricity Authority (CEA), MoD principles, RPO trajectory, etc.
- LT-DRAP, as vetted by the CEA to be finalized and filled along with the ARR and Determination of Tariff Petition for the second year of the Control Period.
- In case of Capital Asset funded through Grant or Consumer Contribution – to be consider for O&M expenses, but not for depreciation, interest on loan, return on equity or return on capital employed. Normative Debt-Equity ratio of 70:30 to be considered after excluding grant / consumer contribution component.
- **Debt-Equity Ratio**
 - Existing Assets – Modified GFA approach is considered, wherein equity portion to be reduced from 30% to Salvage Value in equal tranches in next five financial years subsequent to the financial year in which useful life is completed.
 - New assets (COD on or after 1st April 2024) – NFA / ROCE approach is considered from day one.
- **Interest on Loan**
 - Weighted Average Rate of interest (WAROI) on actual loan portfolio of the regulated business to be considered, provide that the same lies within the range of one-year SBI MCLR plus 50 basis points – 150 basis points.
 - In case actual WAROI exceeds the ceiling limit, the normative rate of one-year SBI MCLR plus 150 basis points shall be considered.
 - In case actual WAROI is lower than the floor limit, the normative rate of one-year SBI MCLR plus 50 basis points shall be considered, and gain on account of variation between the two will be shared in 50:50 ratio.
 - In case of no actual loan for the regulated business, normative interest rate of one-year SBI MCLR

plus 50 basis shall be considered.

- In case of ECS, WAROI on actual loan portfolio of Emission Control System or in absence of actual loan portfolio normative interest rate of one-year SBI MCLR plus 50 basis shall be considered.

- **Rate of Return on Equity (RoE)**

- Rate of RoE to be allowed has been split into two parts – Base Rate and Additional Rate, wherein allowance of additional rate of RoE is subject to meeting specified performance parameters.

| Utility | Base Rate of RoE | Additional Rate of RoE | Total RoE |
|----------------------------|------------------|------------------------|--------------|
| Thermal Generation | 12.0% | 1.5% | 13.5% |
| Hydro Generation | 14.0% | 0.0% | 14.0% |
| Transmission | 11.5% | 1.5% | 13.0% |
| SLDC | 11.5% | 1.5% | 13.0% |
| Distribution Wire | 11.5% | 1.5% | 13.0% |
| Distribution Retail Supply | 12.5% | 1.5% | 14.0% |

- **Truing-up of the Additional Rate of RoE linked to actual performance-**

| Utility | Performance Parameters for Additional Rate of RoE |
|------------------------------|--|
| Thermal Generation | <ul style="list-style-type: none"> • Ramping Rate - 0.50% (0.125% for every 1% per minute ramping rate). • Mean Time between failure – 1.00% (0.50% - 45 days; 0.75% - 90 days and 1.00% - 120 days). |
| Hydro Generation | <ul style="list-style-type: none"> • Entire RoE is fixed. |
| Transmission Licensee | <ul style="list-style-type: none"> • Transmission Availability – 1.00% (0.25% for every 0.25% increase in Transmission Availability; AC System – from availability between 98.50% to 99.50% & HVDC bi-pole links and HVDC back to back stations from 95% to 96%). • Transmission Loss Levels – 0.50% for achieving transmission loss levels beyond the lower limit of 0.10% of transmission loss trajectory. • Wef 3rd year of Control Period – Additional rate of RoE only in case of separation of Transmission and SLDC entities. |
| SLDC | <ul style="list-style-type: none"> • Availability of SCADA systems – 0.50% (0.25% for increasing in every 0.50% SCADA System availability above 98%). • Availability of Website – 0.50% (0.25% for increasing in every 0.50% Website availability above 98%). • Achieving 80% or higher Capitalisation of the approved figures – 0.50%. • Wef 3rd year of Control Period – Additional rate of RoE only in case of separation of Transmission and SLDC entities. |
| Distribution Wheeling | <ul style="list-style-type: none"> • Wires Availability – 0.50% (0.25% for increasing in every 0.50% Wire Availability above 96% for State Discoms and 97% for other Discoms). |

| Utility | Performance Parameters for Additional Rate of RoE |
|-----------------------------------|--|
| | <ul style="list-style-type: none"> • Distribution Loss Levels – 0.50% for achieving distribution loss levels beyond the lower limit of 0.10% of distribution loss trajectory (only for State Discoms). • Smart Meters deployment targets – 0.50% for meeting smart metering implementation targets under RDSS (only for State Discoms) or any other performance parameters as determined by the Commission. • Performance Targets of other Distribution Licensees for 1.0% additional rate of RoE to be determined in the respective MYT Orders. • Wef 3rd year of Control Period – Additional RoE only in case of separation of accounts for Wheeling and Retail Supply. |
| Distribution Retail Supply | <ul style="list-style-type: none"> • Performance Targets for Retail Supply Business of the Distribution Licensees for entire 1.50% additional rate of RoE to be determined in the respective MYT Orders. • Exceeding % of assessed bills over total bills issued in a year – 0.75% (all Discoms). • Wef 3rd year of Control Period – Additional RoE only in case of separation of accounts for Wheeling and Retail Supply. |

- **Depreciation-** 100% depreciation of IT assets, i.e. no Salvage value.
 - Time Period for Depreciation in case of Emission Control System with different COD than COD of the Plant;
 - i. 25 Years: If the generating station or unit has been in operation for 15 years or less;
 - ii. Balance Useful Life + 15 Years: If the station or unit has been in operation for more than 15 years;
 - iii. 10 Years or Agreed Period: If the station or unit has already completed its useful life.
- **Normative Working Capital Requirement**
 - **Coal based** – Coal or lignite and limestone Cost to be changed from one 1 month to 20 days for Pit-Head and from 1.5 months to 30 days for Non-Pit Head Stations; other components remaining unchanged;
 - In case of ECS, additional working capital 20 days cost of limestone or reagent, 1 month of O&M expense towards ECS, 1% of Opening GFA in respect of ECS.
 - **Gas based, Hydro, Transmission, Wire Business** – all components remain unchanged
 - **SLDC** - Maintenance spares at one (1) per cent of the Opening GFA cost related to SCADA and RTU instead of historical cost.
 - **Retail Supply Business** - Average monthly collection from Prepaid Consumers to be deducted from the Receivables; other components remaining unchanged.
- **Normative Rate of Interest on Working Capital-** 1yr MCLR + 150 basis points
- **Income Tax** – Effective tax rate for computing pre-tax rate of RoE to be computed based upon latest available Assessment Order issued under Income Tax Act, 1961.

- O&M Expenses Formulae for Utilities other than Transmission Licensee shall be as follows:
 - $O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + \text{Terminal Liabilities and other one-time expenses}$
 - X_n -Efficiency factor for nth Year. Value of X_n to be considered as zero till such time the same is determined through a study by the Commission.
 - $R\&M_n = K * GFA * (1 + \text{Index Esc}_n)$
 - $EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (1 + \text{Index Esc}_n)$
 - $\text{Index Esc}_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$
- O&M Expenses Formulae for Transmission Licensee shall be as follows :
 - O&M expenses shall be allocated to bays and transmission line length (ckt-km) in the ratio of 70:30.
 - $O\&M \text{ per bay}_n = (O\&M \text{ per bay}_{n-1}) * (1 + \text{Index Esc}_n)$
 - $O\&M \text{ per ckt-km}_n = (O\&M \text{ per ckt-km}_{n-1}) * (1 + \text{Index Esc}_n)$
 - $\text{Index Esc}_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$
- **Delayed Payment Surcharge –**
 - In case, payment of bills of Generation Tariff or Transmission Charges or SLDC Fees and Charges by the beneficiary is delayed beyond the due date, Delayed Payment Surcharge shall be payable in line with MoP's Late Payment Surcharge Rule, 2022.
 - Late payment surcharge for the retail consumer shall be recoverable as per the terms mentioned in the respective Tariff Orders for the Distribution Licensees.

Chapter 4: Generation

- Generating Company shall submit Capital Investment Plan in accordance with the proposed capex approval framework.
- Generating Company shall submit Fuel Utilization Plan consisting of the following:
 - Forecast of fuel requirement for each unit/station;
 - Details of contracted source, annual contracted quantity, estimated availability from contracted sources and resultant shortage of fuel, if any, for each unit/station; Use of optimum mix of fuel;
 - Alternate arrangement for meeting shortage of fuel along with impact on variable cost of unit/station;
 - Plan for swapping of fuel source for optimising the cost, if any, along with detailed justification and cost savings;
 - Net cost savings in variable cost of each unit, if any, after optimum utilization of Fuel.
- Special Allowance to be capped at Rs. 11 lakh per MW without any escalation after completion of useful life for thermal generating stations.

- GSHR for all new coal based Generating Units or stations achieving COD on or after the 1.4.2016 to be computed as:

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

- GCV Loss during storage – 85 kCal / kg for Pit-Head and 120 kCal / kg for non-Pit-head Stations added to account for stacking losses in calorific value of coal on account of GCV loss during storage.
- Capacity Charges for Thermal Generating Stations to be computed in line with existing CERC Tariff Regulations, 2019 based on Peak and Off-Peak Season from second year of the Control Period. For first year, methodology as per existing GERC MYT Regulations, 2016 shall continue to apply.
- Thermal Generating Stations are proposed to be penalized for lower than normative availability in accordance with the CERC staff paper on the “Methodology for Computing ‘Deterrent Charges for maintaining lower coal stock by coal based thermal generating stations”.

Chapter 5: Intra-state Transmission

- **Development of Intra-State Transmission projects under TBCB-** All new and augmentation of Intra-State Transmission projects of 220 kV & above voltage level (including associated equipment of downstream voltage level) or having estimated cost excluding land cost of more than 100 Crores, being part of the STU Transmission Plan, shall be implemented through TBCB.
- **Norms of O&M expenses on per bay and per ckt-km basis-** Shall be derived using a new methodology based on actual O&M expenses of past 10 years and using an escalation factor of 10-yr moving average of CPI and WPI.
- **Transmission loss** – Transmission loss trajectory band shall be approved with upper and lower limits having $\pm 0.10\%$ variation for each year of the Control Period.
- Incentive on Annual Transmission Charges based on Transmission Availability above 98.0% for AC System to be discontinued.
- Target Availability for Full recovery of Annual Transmission Charges increased from 98.0% to 98.5% for AC Systems.
- **Income from Other businesses-** Income sharing liked with GERC (Licensing of Transmission) Regulations, 2005, wherein only up to 25% of the profit from other business is allowed to be retained by the transmission licensee.

Chapter 6: SLDC

- **Incorporating SLDC as a separate Entity from Transmission Licensee-** Additional RoE shall be allowed for Transmission and SLDC from 3rd year only in case of separation of SLDC from GETCO.

Chapter 7: Distribution Wires Business

- **Income from other businesses-** Two-third of the revenues from Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the ARR for

determining the wheeling charges of Distribution Wires Business.

- **Wheeling Charges:** Wheeling Charges shall be determined based on the segregated accounts of supply and wire business in accordance with the guidelines specified in the **Annexure V**, till then allocation matrix provided in the Regulations shall apply.
- **Capital Investment Plan:** All new and augmentation of capital investment projects of 220 kV & above voltage level (including associated equipment of downstream voltage level) or having estimated cost excluding land cost of more than 100 Crores, being part of the Distribution Licensee's Capital Investment Plan shall be implemented through TBCB.

Chapter 8: Retail Supply Business

- **Sales and Demand Forecast**
 - Consumer category-wise, sub-category-wise and month-wise assessment of peak and off-peak demand (MW) and energy requirement (MU) for ensuing year and for next 5 years.
 - While estimating monthly demand and energy sales forecast, Distribution Licensee should carry out Optimistic scenario, Business As Usual (BAU) scenario & Pessimistic scenario.
 - Undertake sales and demand forecast based on methods and tools including load research studies, advance statistical methods and also explore use of various IT applications, including Artificial Intelligence and Machine Learning (AI/ML) to improve accuracy.
 - In the second year of the Control Period, submit a detailed load research study, based on consumer, feeder and DT meter data as well as survey information on appliance usage etc., with consumer category wise load curves, for the remaining years of the Control Period.
- **Power Procurement Plan**
 - Distribution Licensee's to submit long-term, medium-term and short-term power procurement plans for the Control Period.
 - Discoms power procurement plan of the Distribution Licensee shall comprise the following:
 - (a) a quantitative forecast of the unrestricted base load and peak load for electricity within its area of supply;
 - (b) an estimate of the quantities of electricity supply from the identified sources of power purchase, including own generation if any;
 - (c) an estimate of availability of power to meet the base load and peak load requirement;
 - (d) standards to be maintained with regard to quality and reliability of supply;
 - (e) measures proposed for energy conservation, EE and DSM;
 - (f) requirement for new sources of power procurement, including augmentation of own generation capacity, if any, and identified new sources of supply;

- (g) sources of power, quantities and cost estimates for such procurement.
- Distribution Licensee shall have long-term / medium-term tie up to meet load requirement of at least 75% duration and 85% duration of the fifth year and third year respectively.
- Distribution Licensee to prepare month-wise long-term Power Procurement Plan for 5 (five) years in terms of peak demand (in MW) and energy requirement (in MU) based on the inputs from Sales and Demand Forecast and also taking into consideration of the latest Electric Power Survey (EPS) report of Central Electricity Authority.
- Distribution Licensee to prepare Short-Term Power Procurement Plan for peak and off-peak periods in terms of Demand (MW) and Energy Requirement (MU) taking into account weather forecast and seasonal variations, power transactions through banking and RPO.
- The power procurement plan shall be strictly as per Merit Order principle and it shall be the least cost plan with the ultimate objective of providing safe, secure, reliable and quality power supply to all consumers at economically viable tariffs.
- Introduction of FPPAS to be in line with the formulae specified in the MoP Rules, except that the carrying cost to be allowed at one-year SBI MCLR rate.

Guidelines for Capex Approval Framework - Threshold for DPR Schemes

- Generating Station or Unit of a Generating Company – Rs. 5 Crore;
- Transmission Licensee – Rs. 20 Crore;
- SLDC – Rs. 0.50 Crore;
- Distribution Licensee – Rs. 10 Crore or 0.5% of approved closing GFA of previous tried-up year, whichever is lower;
- or such other amount as may be specified by the Commission from time to time.

Guidelines for Allocation of Assets and Costs for Distribution Business

- Distribution Licensees need to identify and constitute three Asset Groups - Wires function, Supply function and Common to Business function;
- Assets dedicated to Wires function as identified shall be divided into three groups – voltage Identifiable, boundary assets and common voltage assets, which are further allocated on the basis of voltage between EHT, HT and LT;
- Common Assets are allocated to Wires and Supply functions using the ratio of Wires only and Supply only assets to total (Wires + Supply only) assets. Further, the Common Assets so allocated to Wires function shall be further allocated to different voltage levels of distribution;
- Determination of various asset ratios and allocation of wires cost components to different voltage levels

and supply cost. Based on the asset values at different voltage levels, the various cost elements of Distribution Wires ARR shall be determined.

Disclaimer

This document serves as a quick reference guide to the salient features of the "Draft GERC MYT Regulation 2023" and is intended to assist various stakeholders as a quick reference to its key aspects. This document should not be construed as an official interpretation of the "Draft GERC MYT Regulation 2023". For a comprehensive understanding and interpretation, the detailed "Draft GERC MYT Regulation 2023" along with Explanatory Memorandum published by the Commission shall be referred to.