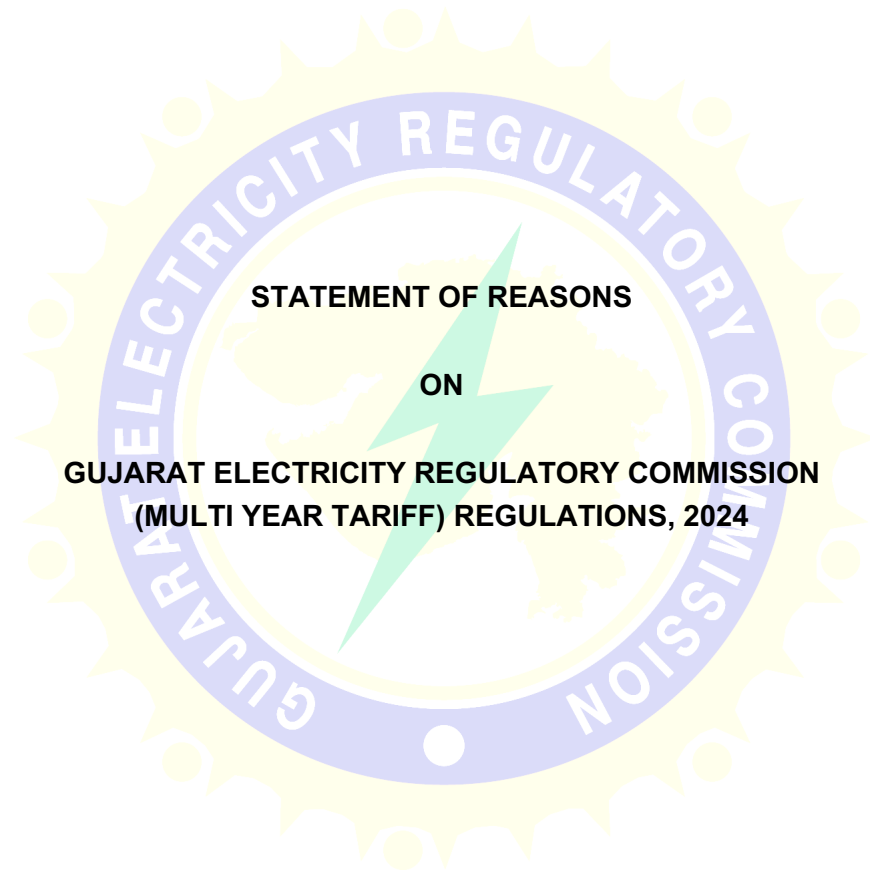




GUJARAT ELECTRICITY REGULATORY COMMISSION



5th August 2024



Table of Contents

1	INTRODUCTION.....	8
2	DEFINITIONS.....	10
2.1	Accounting Statement.....	10
2.2	Change In Law.....	11
2.3	Cut-Off Date.....	11
2.4	Charges:	12
2.5	Trial Run	12
2.6	Distribution System User	13
2.7	Scope of regulation and extent of application.....	14
3	GENERAL PRINCIPLES.....	15
3.1	Annual Truing-up for all Utilities.....	15
3.2	Carrying cost.....	16
3.3	Regulatory Accounts.....	17
3.4	Separate Petitions for area having multiple Distribution Licenses.....	19
3.5	Controllable and Uncontrollable Factors.....	20
3.6	Mechanism of sharing of gains or losses.....	22
3.7	Filing Procedure.....	23
3.8	Subsidy Mechanism.....	24
4	FINANCIAL PRINCIPLES.....	26
4.1	Capital Cost	26
4.2	Capital Investment Plan Framework – duplicity of effort.....	26
4.3	Monitory limit for In-Principle Approval	27
4.4	Limit for non DPR Capitalisation	29
4.5	Under-recovery of assets in SEZs, SIRs, Ports, etc.	31
4.6	Initial Spares ceiling norms	32
4.7	Scheme disapproval	33
4.8	Timeframe for approval of Capital Investment Schemes.....	34
4.9	Additional Capitalisation	35
4.10	Debt-Equity Ratio.....	37
4.11	Interest and finance charges	39
4.12	Consumer Security Deposit	40
4.13	Return on Equity	41
4.14	Return on Capital Employed.....	49

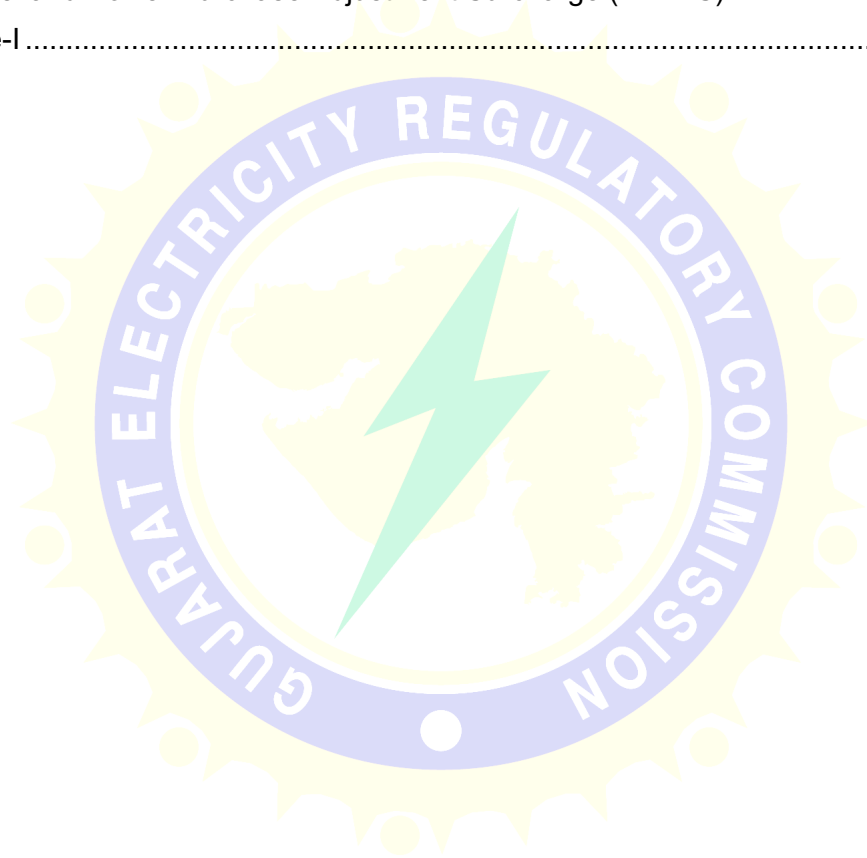


4.15	Depreciation.....	51
4.16	Interest on Working Capital	52
4.17	Normative Rate of Interest on Working Capital	54
4.18	Income Tax	54
4.19	Rebate	58
4.20	Delayed Payment Surcharge	59
5	GENERATION	62
5.1	Capital Investment Plan	62
5.2	Fuel Utilization Plan	62
5.3	Renovation & Modernization.....	63
5.4	Sale of Infirm Power	64
5.5	Normative Annual Plant Availability Factor.....	65
5.6	Gross Station Heat Rate.....	66
5.7	Auxiliary Energy Consumption.....	67
5.8	Operation and Maintenance expenses for thermal generating stations	67
5.9	Computation and Payment of Annual Capacity Charges and Energy Charges for Thermal Generating Stations	76
5.10	Energy Charges.....	82
5.11	Compensation in relation to operation on account of backing down	82
6	INTRA-STATE TRANSMISSION	84
6.1	Applicability.....	84
6.2	Capital Investment Plan.....	86
6.3	Norms for Operation	86
6.4	Operation and Maintenance expenses	87
6.5	Contribution to contingency reserve:.....	87
6.6	Non-Tariff Income	88
7	SLDC.....	89
7.1	Non-Tariff Income	89
7.2	Determination of SLDC Fees and Charges	89
8	DISTRIBUTION - WIRE BUSINESS AND RETAIL SUPPLY BUSINESS.....	91
8.1	Operation and Maintenance expenses	91
8.2	Contribution to contingency reserves	98
8.3	Allocation Matrix	98
8.4	Capital Investment Plan.....	99



SOR on GERC (Multi-Year Tariff) Regulations, 2024

8.5	Income from Other Business	101
8.6	Determination of Wheeling Charges.....	102
8.7	Cost of Power Generation/ Power Purchase.....	103
8.8	Component of Tariff.....	103
8.9	Bad debts written off.....	104
8.10	Sales and Demand Forecast	105
8.11	Power Procurement.....	109
8.12	Distribution Loss	111
8.13	Fuel and Power Purchase Adjustment Surcharge (FPPAS).....	112
	Annexure-I	114



**LIST OF ABBREVIATIONS**

A&G	Administrative and General
ABR	Average Billing Rate
AC	Alternating Current
AFC	Annual Fixed Cost
AI	Artificial Intelligence
APL	Adani Power Limited
APPC	Average Power Purchase Cost
APTEL	Appellate Tribunal For Electricity
ARR	Aggregate Revenue Requirement
AT&C Losses	Aggregate Technical and Commercial Losses
AUX	Auxiliary Energy Consumption
BAU	Business As Usual
BLTPS	Bhavnagar Lignite Thermal Power Station
CAPM	Capital Asset Pricing Model
CEA	Central Electricity Authority
CER	Centre for Energy Regulation
CERC	Central Electricity Regulatory Commission
CFBC	Circulating Fluid Bed Combustion
CIRP	Corporate Insolvency Resolution Process
COD	Date of Commercial Operation
COVID	Coronavirus Disease
CPI	Consumer Price Index
CRISIL	Credit Rating Information Services of India Limited
DA	Dearness Allowance
DISCOM	Distribution Company
DPA	Deendayal Port Authority
DPC	Delayed Payment Charges
DPR	Detailed Project Report
DSM	Demand Side Management
ECS	Emissions Control System
EE	Energy Efficiency
EHT	Extra High Tension
EHV	Extra High Voltage
EMP	Employee
FAR	Fixed Asset Register
FGI	Federation of Gujarat Industries
FGMO	Free Governor Mode Operation
FOKIA	Federation of Kutch Industries Associations
FOR	Forum of Regulators



FPPAS	Fuel and Power Purchase Adjustment Surcharge
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GAAP	Generally Accounting Accepted Principles
GCV	Gross Calorific Value
GERC	Gujarat Electricity Regulatory Commission (or the Commission)
GETCO	Gujarat Energy Transmission Company Limited
GFA	Gross Fixed Asset
GIPCL	Gujarat Industries Power Company Limited
GIFT PCL	Gujarat International Finance Tec-City Power Company Limited
GIS	Gas Insulated Sub-station
GKVGSS	Gujarat Krushi Vij Grahak Suraksha Sangh
GoI	Government of India
GSECL	Gujarat State Electricity Corporation Limited
GSHR	Gross Station Heat Rate
GUVNL	Gujarat Urja Vikas Nigam Limited
HVAC	High Voltage Alternating Current
HVDC	High Voltage Direct Current
IDC	Interest During Construction
IEDC	Incidental Expenses During Construction
IEGC	Indian Electricity Grid Code
IIM-A	Indian Institute of Management- Ahmedabad
IND AS	Indian Accounting standard
IoWC	Interest on Working Capital
kcal	kilo calorie
KLTPS	Kutch Lignite Thermal Power Station
kVA	Kilo Volt Ampere
kWh	kilo Watt hour
LDC	Load Despatch Centre
LT-DRAP	Long-term Discom Resource Adequacy Plan
MAT	Minimum Alternate Tax
MCA	Ministry of Company Affairs
MCLR	Marginal Cost of Funds based Lending Rate
MERC	Maharashtra Electricity Regulatory Commission
ML	Machine Learning
MNRE	Ministry of New & Renewable Energy
MoP	Ministry of Power
MPERC	Madhya Pradesh Electricity Regulatory Commission
MTBF	Mean Time Between Failure
MTR	Mid Term Review
MU	Million Units



MUL	Mundra Port and Special Economic Zone Utilities Limited
MW	Mega Watt
MYT	Multi-Year Tariff
NAPAF	Normative Annual Plant Availability Factor
NTI	Non-Tariff Income
O&M	Operation and Maintenance
OEM	Original Equipment Manufacturer
PEG	Prayas Energy Group
PEUM	Partial End Use Method
PPA	Power Purchase Agreement
PSERC	Punjab State Electricity Regulatory Commission
R&M	Renovation and Modernization
RDSS	Revamped Distribution Sector Scheme
RERC	Rajasthan Electricity Regulatory Commission
RGMO	Restricted Governor Mode Operation
RoCE	Return on Capital Employed
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SAIDI	System Average Interruption Duration Index
SBBR	State Bank Base Rate
SBI	State Bank of India
SCADA	Supervisory Control and Data Acquisition
SERC	State Electricity Regulatory Commission
SEZ	Special Economic Zone
SHR	Station Heat Rate
SIR	Special Investment Region
SLDC	State Load Dispatch Centre
SOR	Statement of Reasons
STU	State Transmission Utility
TBCB	Tariff Based Competitive Bidding
TPL	Torrent Power Limited
TPL-G	Torrent Power Limited – Generation
TPS	Thermal Power Station
ULDC	Unified Load despatch and Communication
UWA	Urban Water and Sanitation Authority
WACC	Weighted Average Capital Cost
WAROI	Weighted Average Rate of Interest
WPI	Wholesale Price Index
WRLDC	Western Regional Load Dispatch Center
WRPC	Western Region Power Committee



1 INTRODUCTION

- 1.1.1 The Gujarat Electricity Regulatory Commission (hereinafter referred to as 'the Commission' or 'GERC') notified the GERC (Multi Year Tariff) Regulations, 2016 (GERC MYT Regulations, 2016) on 29 March, 2016, superseding the GERC (Multi Year Tariff) Regulations, 2011. Subsequently, the Commission also notified two amendments to GERC (Multi Year Tariff) Regulations, 2016, the first on 02 December, 2016 for adding one- year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) as an optional benchmark for the interest rate which was earlier mentioned only as State Bank Base Rate (SBBR) and the second on 18 August, 2018 related to transmission charges for short term users of the transmission system.
- 1.1.2 The existing GERC MYT Regulations, 2016 were initially applicable for a five-year Control Period commencing from April 1, 2016 to March 31, 2021. Subsequently, the applicability of the GERC MYT Regulations, 2016 has been extended four times (one year at a time) for four more years, i.e., till March 31, 2025. Accordingly, the Commission has formulated the Draft Gujarat Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2023 (hereinafter referred as "Draft GERC MYT Regulations, 2023) covering the Generation Business (Conventional), Transmission Business, SLDC, Distribution Wires Business and Retail Supply Business for the next MYT Control Period of five years from April 1, 2025 to March 31, 2030.
- 1.1.3 While formulating the Draft GERC MYT Regulations, 2023, the Commission has been guided by the Electricity Act, National Electricity Policy, Tariff Policy, other ERC's (Electricity Regulatory Commissions) MYT Regulations and Forum of Regulators (FOR) Recommendations on MYT Framework for the formulation of draft GERC MYT Regulations, 2023.
- 1.1.4 Further, while formulating the draft GERC MYT Regulations, 2023, the Commission has also kept in view, its own experiences in implementation of the GERC MYT Regulations, 2016 and also the transformation experienced in the electricity sector in the country in general and State of Gujarat in particular. The rationale for the changes proposed in the GERC MYT Regulations were elaborated in the Explanatory Memorandum. Generally, only the clauses where any addition/modification is proposed in the draft GERC MYT Regulations, 2023 were discussed in the Explanatory Memorandum.
- 1.1.5 Accordingly, draft GERC (Multi Year Tariff) Regulations, 2023 along with Explanatory Memorandum was published on the Commission's websites <http://gercin.org/> in downloadable format on 04 September, 2023. A Public Notice was also published in daily newspapers of English, Hindi, and Gujarati, inviting comments, objections and suggestions from all stakeholders by 06 October, 2023. A total of 16 stakeholders



responded to the Notice on Draft GERC MYT Regulations, 2023. The list of stakeholders who offered their comments/suggestions on the Draft Regulations and Explanatory Memorandum, which have been considered by the Commission while finalising the Regulations, is placed at **Annexure-I**.

- 1.1.6 The main comments, suggestions and observations provided by the stakeholders through their written submissions and the Commission's analysis and decision thereon have been summarized in the following paragraphs. It may be noted that all the comments, suggestions and observations given by the stakeholders have been considered, and the Commission has attempted to elaborate all these comments, suggestions and observations as well as the Commission's analysis and decision on the same in the Statement of Reasons (SOR), however, in case any comment, suggestion or observation is not specifically elaborated, it does not mean that the same has not been considered. Further, some stakeholders have suggested changes on Syntax/phrase/addition of word(s)/rewording related changes, cross-references, etc., which have been suitably incorporated, wherever necessary.
- 1.1.7 Wherever possible, the comments and suggestions have been summarised clause-wise, along with the Commission's analysis and ruling on the same. However, in some cases, due to overlapping of the issues/comments, two clauses have been combined in order to minimise repetition.
- 1.1.8 In case of some comments, suggestions and observations which were not directly related to draft GERC MYT Regulations, 2023, the Commission has briefly mentioned the same in this SOR and intend to take into consideration at appropriate stage. The Commission has also made certain suo-motu consequential changes in order to ensure consistency between clauses. Also, it may be noted that the Regulation numbers given in this SOR are those mentioned in the draft GERC MYT Regulations, 2023.
- 1.1.9 The SOR is organised in the following Chapters, as the GERC MYT Regulations, 2024, summarising the main issues raised during public consultation process, and the Commission's analysis and decisions, which underlie the Regulations as finally notified:

Chapter 1:	Introduction
Chapter 2:	Definitions
Chapter 3:	General Principles
Chapter 4:	Financial Principles
Chapter 5:	Generation
Chapter 6:	Intra-state Transmission
Chapter 7:	SLDC
Chapter 8:	Distribution - Wire Business and Retail Supply Business



2 DEFINITIONS

2.1 Accounting Statement

2.1.1 The Commission in Regulation 2.1 of Draft GERC MYT Regulations, 2023 proposed as follows:

“2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

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

(a) balance sheet, prepared in accordance with the format prescribed by the Commission from time to time, with reference to each licensed or regulated business separately, duly certified by the statutory auditors;

...

(h) reconciliation statement, duly certified by the statutory auditors, showing the reconciliation between the total expenses, revenue, assets and liabilities, of the entity as a Company and the expenses, revenue, assets and liabilities, separately for each business regulated by the Commission and unregulated business operations, wherever applicable;

...”

Stakeholders’ submissions:

- 1) Torrent Power Limited (TPL) has requested to delete clauses (a), (b), (c), and (h) from the definition of “Accounting Statement” stating that under the Companies Act, the Utility prepares Financial Statements in accordance with the prevailing Accounting Standards and same gets duly certified by the Statutory Auditors and preparation and maintenance of accounts under any different format as specified by the Commission cannot be termed as Accounting Statements as there cannot be two Accounting Statements for same business and the Auditor will not be able to certify two different sets of financial statements for the same year.

Analysis and Decision:

2.1.2 It is observed that clause (a), (b) and (c) does not need any modification as the same are already certified by the Statutory Auditor. Whereas in case of reconciliation statement, it is agreed that the submission by the Petitioner should suffice and accordingly the proposed requirement of certification by the Statutory Auditor has been removed and the revised clause (h) now reads as follows:

“

(h) reconciliation statement, ~~duly certified by the statutory auditors,~~ showing



the reconciliation between the total expenses, revenue, assets and liabilities, of the entity as a Company and the expenses, revenue, assets and liabilities, separately for each business regulated by the Commission and unregulated business operations, wherever applicable;

....”

2.2 Change In Law

2.2.1 The Commission in Regulation 2.1 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

...

(18) *“Change in law” means occurrence of any of the following events:*

- (a) *enactment, bringing into effect or promulgation of any new Indian law; or*
- (b) *adoption, amendment, modification, repeal or re-enactment of any existing Indian law;*

....”

Stakeholders’ submissions:

- 1) GETCO has suggested for inclusion of changes in taxes and duties pertinent to Operational and Maintenance (O&M) expenses within the ambit of the “Change in Law”.

Analysis and Decision:

2.2.1 The Commission has added the clause for inclusion of taxes or duties levied by the Government excluding the change in taxes and duties related to O&M expenses. Accordingly, the said Regulation does not need any modification and has been retained.

2.3 Cut-Off Date

2.3.1 The Commission in Regulation 2.1 of Draft GERC MYT Regulations, 2023 proposed as follows:

“2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

...

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

....”

Stakeholders’ submissions:

- 1) GETCO suggested that the Commission incorporate a provision stipulating that “the cut-



off date” may be extended by the Commission, if it is proven through documentary evidence that the capitalization process could not be concluded within the initially prescribed cut-off date due to circumstances beyond the control of the project developer or licensee.

Analysis and Decision:

2.3.2 It is observed that the proposed 36-months’ period after commissioning of the asset is sufficient to complete the balance works after the commercial operation date of a project and to close the contracts. The Commission has the inherent powers for relaxing a stipulation in exceptional circumstances having sufficient grounds to exercise the same, and thus, a specific provision is not required.

2.4 Charges:

2.4.1 The Commission in Regulation 2.1 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

...

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

Stakeholders’ submissions:

1) TPL has suggested to revise the definition of “Charges” to encompass payments collected for both services rendered and the provision of electricity by the Generating Company or Licensee or SLDC.

Analysis and Decision:

2.4.2 The Commission has considered the suggestion of the stakeholder and revised the definition as follows:

“2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

...

(19) **“Charges”** means payments to be collected by the Generating Company or Licensee or SLDC for the services **and/ or supply of electricity** rendered by it, **as the case may be;**”

2.5 Trial Run

Stakeholders’ submissions:



- 1) SLDC has requested to include the definition of “Trial Run or Trial Operation” which shall have the same meaning as specified in Regulation 22 or Regulation 23 of Indian Electricity Grid Code (IEGC), 2023.

Analysis and Decision:

- 2.5.1 It is observed that the definition of “Trial Run or Trial Operation” in consonance with the IEGC shall be incorporated appropriately while updating the State Grid Code.. Until then, the existing practice shall continue.

2.6 Distribution System User

- 2.6.1 The Commission in Regulation 2.1 of Draft GERC MYT Regulations, 2023 proposed as follows:

“2. Definitions

2.1 In these Regulations, unless the context otherwise requires:

...

(33) "Distribution System User" means a retail consumer of the Distribution Licensee to whom the electricity is supplied by the Distribution licensee through their own distribution infrastructure along with 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;”

Stakeholders’ submissions:

- 1) Federation of Kutch Industries Associations (FOKIA) and Federation of Gujarat Industries (FGI) have recommended for inclusion of definition for "Distribution losses" and modification to the definition of "Distribution System User" to include “Transmission System” to make it relevant with the present practice of customers above the distribution licensee’s normal inlet power supply of 11/22/33 kV rating also being handled by Distribution Licensees.

Analysis and Decision:

- 2.6.2 The proposition to insert “or Transmission System” alongside the existing definition of 'Distribution System User' is not required. The overarching definition is sufficiently comprehensive to subsume open access consumers without the need to explicitly reference the Transmission System. Additionally, the term 'Transmission System User' is specifically utilized to address the bulk consumers interacting with the Transmission System, ensuring a clear distinction between the two entities.
- 2.6.3 Pertaining to the proposed addition of 'Distribution Loss' definition, the definition



suggested by FOKIA and FGI is pertaining to distribution loss scenarios within 11/22 kV systems in the context of open access. The 'Definition' section is designed to clarify terms in a broad sense, rather than to outline use-case-specific scenarios. Accordingly, there is no need to separately define the terms proposed by the Stakeholders.

2.7 Scope of regulation and extent of application

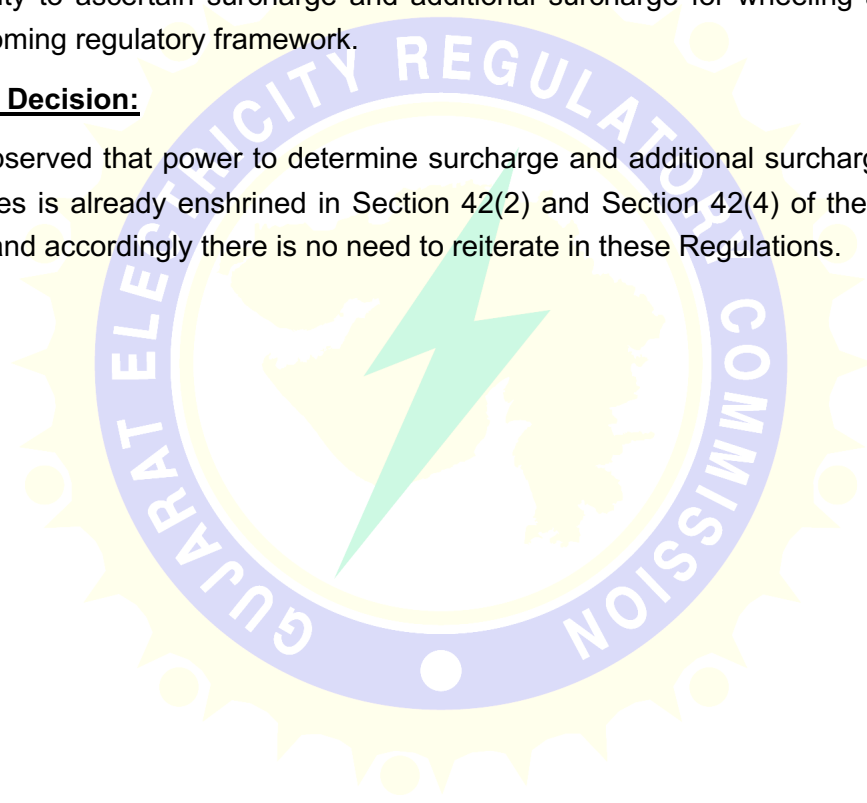
2.7.1 The Commission in Regulation 3 of Draft GERC MYT Regulations, 2023 has proposed the details on Scope of Regulation and its extent of application.

Stakeholders' submissions:

- 1) Adani Power Limited (APL) has requested for clarity regarding the entity vested with the authority to ascertain surcharge and additional surcharge for wheeling activities in the forthcoming regulatory framework.

Analysis and Decision:

2.7.2 It is observed that power to determine surcharge and additional surcharge for wheeling activities is already enshrined in Section 42(2) and Section 42(4) of the Electricity Act, 2003 and accordingly there is no need to reiterate in these Regulations.





3 GENERAL PRINCIPLES

3.1 Annual Truing-up for all Utilities

3.1.1 The Commission in Regulation 16.3 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“16 Multi-Year Tariff Framework

...

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

....

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

...

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

Stakeholders’ submissions:

- 1) APL, GSECL and GETCO have requested the Commission to stick with the Annual Truing Up process as stated in the GERC MYT Regulation, 2016, instead of the Mid-term review process because the Annual Truing Up process allows generators to



- promptly recover or pass on differential costs to the following year and ensure that consumers aren't burdened with unfair financial discrepancies in the single fiscal year.
- 2) Credit Rating Information Services of India Limited (CRISIL) has requested to add a Mid-Term review process that includes the submission of ARR of last two years of the Control Period and review of mid year to help streamline the process and reduce the administrative burden on the licensees.
 - 3) Prayas Energy Group (PEG) has suggested that True-ups for DISCOMs are to take place at the start of the control period, during MTR and at the beginning of the next control period. Annual revision via true-ups imply that medium-term cost and performance benchmarks have no meaning and that tariff and tariff design is revised each year.

Analysis and Decision:

- 3.1.2 Considering that the proposed GERC MYT Regulations, 2023 would be for the fourth Control Period, the sector is mature for the gradual introduction of MYT regime in true sense. Accordingly, it has been decided to shift from annual truing-up exercise to Mid-Term Review during the third year in case of Generating Company, Transmission Licensee and SLDC, while continuing with annual truing-up exercise in case of Distribution Licensee.

3.2 Carrying cost

- 3.2.1 The Commission in Regulation 16.7 of Draft GERC MYT Regulations, 2023 has proposed as follows:

"16 Multi-Year Tariff Framework

...

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

...

- (c) *carrying/holding cost to be allowed on the amount of revenue gap or revenue surplus for the period from the date on which such gap/surplus has become due, i.e., the interest should be calculated for the period from the middle of the financial year in which the revenue gap/surplus had occurred upto the middle of the financial year in which the recovery has been proposed, calculated on simple interest basis at the weighted average rate of one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing during the relevant year, i.e., the year for which*



revenue gap or revenue surplus is determined:

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

Provided further that carrying cost or holding cost shall be allowed on the net entitlement after sharing of efficiency gains and losses as approved after true-up.

...”

Stakeholders’ submissions:

- 1) GETCO and TPL has proposed rate of SBI MCLR + 350 basis point for calculating Carrying/Holding Costs. GETCO further requested to waive the requirement for the submission of documentary evidence regarding the incurring of carrying costs.

Analysis and Decision:

- 3.2.2 The issue has already been discussed in detail in para 3.1.8 and 3.1.9 of the Explanatory Memorandum to the draft GERC MYT Regulations, 2023 and accordingly the said Regulation does not need any modification and has been retained. Further, in order to ensure that the inefficiencies of the utilities’ projections are not entirely passed on to the beneficiaries/consumers, the following clause has been added:

“16 Multi-Year Tariff Framework

...

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

....

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

Provided that the tariff shall be cost reflective and there shall not be any gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions:

Provided that such gap, created if any, shall not be more than three percent of the approved Annual Revenue Requirement.”

3.3 Regulatory Accounts

- 3.3.1 The Commission in Regulation 16.8 of Draft GERC MYT Regulations, 2023 has proposed as follows:



“16 Multi-Year Tariff Framework

...

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

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

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

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

Stakeholders’ submissions:

- 1) SLDC suggests that requiring separate Regulatory Accounts is redundant and lacks a statutory framework and existing financial regulations is sufficient for tariff determination under MYT, eliminating the need for additional Regulatory Accounts.

Analysis and Decision:

- 3.3.2 Financial accounts prepared under the Indian Accounting Standards (IND AS) provide a comprehensive overview of an entity's financial status although they are tailored for a wide range of stakeholders including investors, lenders, and others, and might not provide the granular detail required by regulatory authorities for tariff determination.
- 3.3.3 The main objectives of requiring Regulatory Accounts alongside financial accounts includes transparency and accountability as Regulatory Accounts offer a transparent insight into the costs and revenues associated with electricity service provision, allowing regulators to validate the appropriateness of costs and ensuring utilities do not overcharge consumers. It also provides precision in tariff determination and allows the Commission to monitor the efficiency of operations. This helps in ensuring that the benefits of efficient operations are passed on to the consumers and inefficiencies are not subsidized. Further, the government may often want to subsidize specific consumer



categories and Regulatory Accounts assist in precise identification and allocation of these subsidies.

- 3.3.4 The aforementioned objectives can't be fully achieved by solely relying on financial accounts. The Regulatory Accounts are designed to meet the specific needs of the electricity sector, capturing the nuances and intricacies associated with the business. Accordingly, the said Regulation does not need any modification and has been retained.

3.4 Separate Petitions for area having multiple Distribution Licenses

- 3.4.1 The Commission in Regulation 16.9 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“16 Multi-Year Tariff Framework

...

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

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

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

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

Stakeholders' submissions:

- 1) TPL has requested for deletion of clause 16.9 stating that the proposal to give discretion to the distribution licensee to get the separate tariff determined for part of its license area is not in accordance with the provisions of the Act. TPL has further submitted that the requirement of submitting separate audited accounts for retail tariff determination is discriminatory and it is also not understood as to how Distribution Licensee can segregate expenses for the same category of consumers in area with multiple licensees and the balance area.



Analysis and Decision:

3.4.2 It is observed that the proposed provision for filing separate petition for an area in respect of which the Commission has issued multiple Distribution Licenses, is an option available to the Incumbent Distribution Licensee(s) and not mandatory. Accordingly, there is no need for any modification in the said provision.

3.5 Controllable and Uncontrollable Factors

3.5.1 The Commission in Regulation 19 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“19 Controllable and uncontrollable factors

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

(a) Force Majeure events;

...

(i) Variation in Operation & Maintenance expenses;

(j) Variation in Operating norms;

(k) Bad debts written off.”

Stakeholders’ submissions:

- 1) GIFT PCL and GSECL suggested that the financial ramifications arising from wage revisions ought to be categorized as Uncontrollable Factors while GSECL advocated for the incorporation of the "additional financial burden incurred due to wage revisions or an increase in dearness allowance (DA)" as an uncontrollable determinant factor. SLDC suggested excluding Operation & Maintenance charges from controllable factors.
- 2) GSECL proposed that factors such as "delay in execution of new power generation project" and "time and cost overruns on account of obtaining connectivity to the transmission system due to factors not attributable to generation company" should also be acknowledged as uncontrollable factors and SLDC recommended excluding income generated from the recovery of written-off bad debts from the category of controllable factors and categorizing as an uncontrollable factor.
- 3) GETCO has formally requested for the exclusion of Transmission losses from the ambit of controllable factors.
- 4) Furthermore, GETCO has also advocated for the recognition of the cost implications borne by the licensees in the context of the CIRP or liquidation proceedings as the



uncontrollable factors.

- 5) CRISIL, recommended the incorporation of "Delay in forest clearance" into the roster of "uncontrollable factors" owing to its substantial potential to influence project schedules, particularly in the domain of Transmission and Generation projects.
- 6) SLDC has requested to not to consider ULDC and SCADA Upgradation part of O&M under controllable factor as ULDC and SCADA upgradation charges form a part of R&M Expenses which is a sub-head of O&M expenses and is being decided on the basis of relevant Orders for ULDC scheme in the Western Region issued by the CERC / WRLDC / WRPC from time to time.

Analysis and Decision:

- 3.5.2 **Wage Revisions:** Effects of wage revisions are adequately captured under the 'Note' heading of the provisions for O&M expenses.
- 3.5.3 **Project Management Delays:** Factors such as delays in new projects, cost overruns due to time over-runs, time taken in approval processes, etc. are inherent to the project management process. Utilities are expected to adopt robust project management practices, encompassing strategic planning, adequate risk assessment, slack period allocation for bottle neck activities, and leveraging modern project management tools.
- 3.5.4 **Bad Debts:** It is observed that classifying bad debts as "uncontrollable" could inadvertently disincentivize proactive debt management. Conversely, maintaining bad debts within the "controllable" category compels utilities to adopt vigilant and proactive measures to prevent debts from escalating. In any case, the Regulations provide for considering bad-debts written-off, subject to prudence check for distribution retail supply business.
- 3.5.5 **Transmission Losses:** It is true that intrinsic technical losses are inevitable, however, categorizing transmission losses as completely uncontrollable could reduce the impetus for transmission utilities to optimize these losses. By emphasizing collaborative projections for power transmission, continuous network upgrades, and rigorous system maintenance, transmission licensees can effectively manage and keep the losses in check.
- 3.5.6 **CIRP or Liquidation Proceedings:** The Corporate Insolvency Resolution Process (CIRP) has been designed to ensure time-bound resolutions of the liquidation proceedings.. Hence, designating it as an "uncontrollable" factor might not be entirely fitting.
- 3.5.7 Accordingly, the said Regulation does not need any modification and has been retained.



3.6 Mechanism of sharing of gains or losses

3.6.1 The Commission in Regulation 21 of Draft GERC MYT Regulations, 2023 has proposed as follows:

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

21.1 The approved aggregate gains to Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

- (a) Two-third of the amount of such gains shall be passed on as a rebate in tariff over such period as may be stipulated in the order of the Commission under Regulation 16.7 these Regulations; and*
- (b) Balance amount of such gains shall be retained by Generating Company or Transmission Licensee or SLDC or Distribution Licensee.”*

Stakeholders’ submissions:

- 1) TPL suggested a structured approach wherein, for most gains, one-third of the total gains should be allocated as a rebate within the tariff framework. However, in the case of gains associated with Aggregate Technical and Commercial (AT&C) losses, they recommend a more substantial allocation, specifically two-thirds of the total gains, to be passed on as a rebate within the tariff structure.
- 2) GIFT PCL and GSECL requested for the retention of current methodology for mechanism for gain and loss without any alterations.
- 3) CRISIL advocated for the prohibition of transferring losses stemming from controllable parameters to consumers.

Analysis and Decision:

3.6.2 As the present phase of the MYT Regulations implementation has already matured and it is no longer in the transition phase, it is observed that it is crucial to offer consumers more substantial benefits, whilst recognizing the hard work and efficiency of utilities. Also, proposed regulation will help in adherence to the overarching objectives of the Tariff Policy, 2016 and further optimize the alignment of our regulations with contemporary standards and objectives.

3.6.3 It is observed that passing on substantial portion of the losses due to controllable factors might discourage efficiency improvements. Accordingly, the draft GERC MYRT Regulations, 2023 has considered a gradual approach, permitting only one third of such losses to be passed on to consumers, with the vision of eventually phasing out the passing through of losses to consumers in entirety. Hence, accordingly, the said



Regulation does not need any modification and has been retained.

3.7 Filing Procedure

3.7.1 The Commission in Regulation 25.11 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“25 Filing Procedure

...

25.11 The Petitioner shall file its MYT Petition, Mid-Term Review petition and/or Truing-up petition, as may be applicable, by 30th November of the year in which it is required to be filed in accordance with these Regulations:

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

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

Stakeholders’ submissions:

- 1) TPL suggested that in relation to the filing procedure, it should be specified that if a petition is not submitted within the prescribed timelines and/or the data requested by the Commission for the processing of said petition is not furnished within the specified period, then any resulting revenue loss and its associated carrying cost due to the consequential delay in the issuance of the Order shall not be granted to the Generating Company, Transmission Licensee, Distribution Licensees, or SLDC. CRISIL recommended a reduction in the penalty rate from 0.25% to 0.1% for late submissions.

Analysis and Decision:

3.7.2 Utilities are reasonably well-acquainted with the requisites and procedures governing



such filings through the filing exercises in the previous three MYT Control Periods. The rationale behind the enforcement of strict compliance to these timelines is underpinned by the paramountcy of the Tariff Setting Process and the Decision-Making framework. Adherence to these timelines ensures a streamlined and efficient tariff determination process, provides benefits for all stakeholders involved. Consequently, stringent penalties serve as a deterrent against complacency and ensure timely submissions, thereby safeguarding the integrity of the regulatory processes.

- 3.7.3 However, if utilities face genuine issues causing delays, they can approach the Commission submitting the need for seeking more time to submit the MYT/MTR/Truing-up petitions, which may be considered by the Commission on merits of the case. Accordingly, the said Regulation does not need any modification and has been retained.

3.8 Subsidy Mechanism

- 3.8.1 The Commission in Regulation 28 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“28 Subsidy Mechanism

28.1 With effect from the first day of April 2024, if the State Government requires to grant any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State Government shall, notwithstanding any direction which may be given under Section 108 of the Act, pay in advance the amount to compensate the Distribution Licensee/person affected by the grant of subsidy, as a condition for the Licensee or any other person concerned to implement the subsidy provided for by the State Government, in the manner specified in these Regulations:

...

28.5 If subsidy accounting and the bills raised for subsidy is not found in accordance with the Act or Rules or Regulations issued there under, the Commission shall take appropriate action against the concerned officers of the Distribution Licensee for non-compliance as per provisions of the Act.”

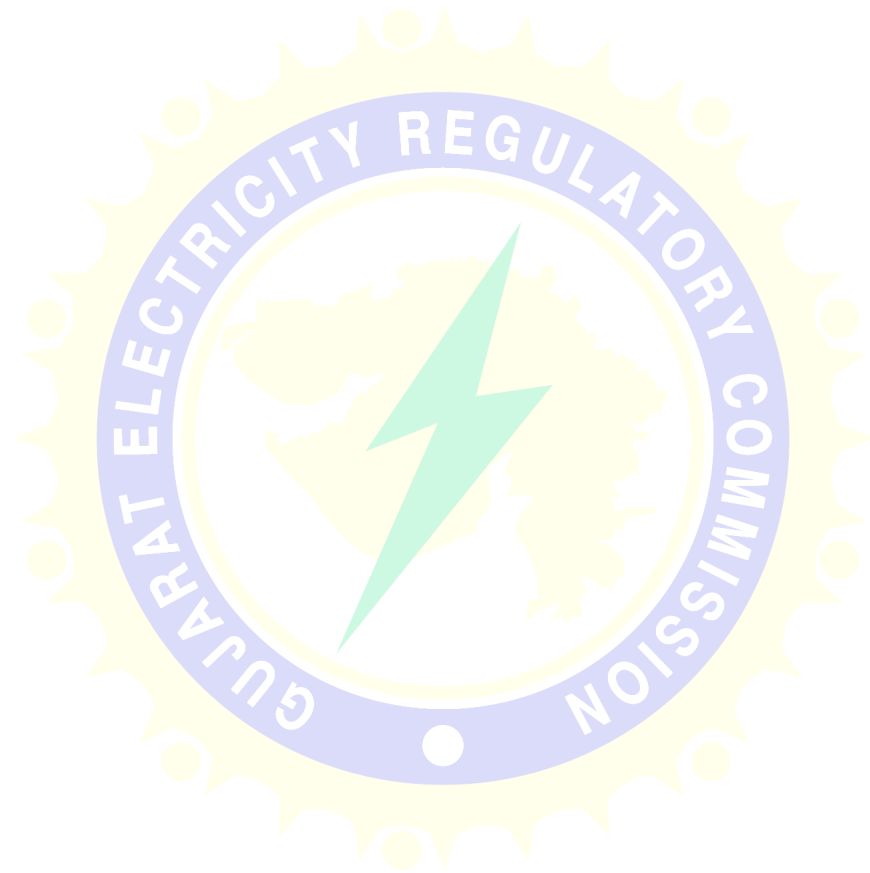
Stakeholders’ submissions:

- 1) FOKIA and FGI have proposed that the Commission issue a directive in accordance with legal provisions to enable the claiming of all subsidies. This includes subsidies beyond those allocated solely for agriculture, which are currently capped at Rs. 1100 Crores. They further recommend that these subsidies be accounted for as receipts from the Government of Gujarat, rather than being exclusively designated as a component of the GERC Tariff subsidy for agricultural consumers within the MYT orders.



Analysis and Decision:

3.8.2 It is observed that the detailed processes and protocols associated with claiming and reporting subsidies have already been mentioned in Regulation 28 of the draft GERC MYT Regulations, 2023. Accordingly, the said Regulation does not need any modification and has been retained.





4 FINANCIAL PRINCIPLES

4.1 Capital Cost

4.1.1 The Commission in Regulation 29.4 of Draft GERC MYT Regulations, 2023 proposed as follows:

“29 Capital Cost

...

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

...

(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;

..”

Stakeholders’ submissions:

- 1) GSECL has requested the Commission to include the charges paid to the state government or any other government agency for getting the land into the capital cost as the project developer has to pay survey fees, measurement charges, etc. even though the land is either given free of cost or at token rent.

Analysis and Decision:

4.1.2 It is observed that there is no restriction on claiming any land related costs which the project developer needs to pay despite the land is either given free of cost or at token rent and the same may be capitalized as a part of Incidental expenses during construction (IEDC). Accordingly, the said Regulation does not need any modification.

4.2 Capital Investment Plan Framework – duplicity of effort

4.2.1 The Commission in Regulation 29.8 of Draft GERC MYT Regulations, 2023 proposed as follows:

“29 Capital Cost

...

*29.8 The Commission has specified the Guidelines for approval of Capital Investment Schemes as provided in **Annexure III** of these Regulations. Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall make an application to the Commission for obtaining prior*



approval of the Commission for schemes involving major investments as per criteria specified in these Guidelines.”

Stakeholders’ submissions:

- 1) APL has submitted that introduction of Capital Investment Plan approval framework will be duplication of work for both Utility and Commission Staff because true-up and tariff determination is being carried out either annually or during the MTR process.
- 2) GSECL has submitted that most of the capital investments plans are implemented only after approval by the Government of Gujarat and the approval framework for the same as created by the Commission shall lead to duplication of approvals and hence delay in projects.

Analysis and Decision:

4.2.2 The Capital Investment Plan approval framework is introduced with a view to further regularize and streamline the filing and approval process of Capital Investment Schemes as it covers various aspects including threshold limit for prior approval, process of submission for approval, details required for prudence check, etc. It will help in expediting the true-up and tariff determination process instead of duplicating the work. The need and utility of the Capital Investment Plan approval framework has already been discussed in detail in the Explanatory Memorandum to the draft GERC MYT Regulations, 2023. Further, the prior approval of the capex roll-out plan by the Commission has also been mandated in Electricity (Second Amendment) Rules, 2023. Accordingly, the said Capital Investment Plan approval framework does not need any modification and has been retained.

4.3 Monitory limit for In-Principle Approval

4.3.1 The Commission in Regulation 29.9 and clause 3.3 of Annexure III of Draft GERC MYT Regulations, 2023 has proposed as follows:

“29 Capital Cost

...

29.9 *Capital cost to be allowed by the Commission for the purpose of determination of tariff for respective businesses will be based on the Detailed Project Reports (DPRs) and Capital Investment Plan as approved by the Commission from time to time:*

Provided that the capital investment plan shall contain the scheme details, justification for the work, capitalization schedule, capital structure and cost benefit analysis (wherever applicable):



Provided further that Capital cost considered by the Commission in the MYT Orders shall not be termed as “In-principal approval” and the same shall be governed by the provisions of Annexure III of these Regulations”

“Annexure-III

...

3 Requirement of In-Principle Approval

...

3.2 *For the purposes of Clause 3.1(a), the term "major investment" means any planned investment in or acquisition of assets or facilities, the cost of which, when aggregated with all other investments or acquisitions (if any) forming part of the same overall transaction, equals or exceeds the following limits:*

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

3.3 *Any one or a combination of the following objectives needs to be fulfilled by the proposed Capital Investment Schemes for being considered for In-Principal approval:*

- (a) Development of new infrastructure to meet the forthcoming load requirements.*
- (b) Augmentation of the capacity of existing projects or systems.*
- (c) Enhancement in the transformation capacity of existing infrastructure.*
- (d) Revenue optimization from existing and new assets.*
- (e) Improvement in the operational efficiency of existing systems.*
- (f) Extension of the Useful Life of the entire project, scheme, or assets.*
- (g) Replacement of assets that have completed their Useful Life and are beyond repair.*
- (h) Improvement in the quality and reliability of power supply.*



- (i) *Reduction in maintenance requirements.*
- (j) *Renovation and Modernisation for life extension of the entire project.*
- (k) *Compliance with environmental norms and regulations.*
- (l) *Enhancement in the appropriate cyber security measures as per Government policy and regulatory guidelines.*

Provided that Renovation and Modernisation Schemes shall be in accordance with relevant Guidelines notified by the Central Electricity Authority (CEA)."

Stakeholders' submissions:

- 1) SLDC has requested to reframe "(k) Compliance with environmental norms and regulations." to "as Compliance with environmental norms and prevailing regulation and time to time amendment in regulation".
- 2) GSECL has submitted that the limit of Rs. 5 Crore for Generation Company is quite insufficient and should at least be increased to Rs. 50 Crore.
- 3) SLDC has further requested the Commission to reconsider this limit to 1 Crore instead of 0.50 Crore as major capital investments for SLDC are normally beyond 1 Crore.

Analysis and Decision:

4.3.2 It is observed that there is no need to amend the clause "(k)" as suggested by the SLDC. Further, the monetary limit for "In-Principle" approvals has been proposed on the basis of its average capitalization costs in the past 5 years. Accordingly, the said limit does not need any modification and has been retained.

4.4 Limit for non DPR Capitalisation

4.4.1 The Commission in Regulation 29.10 of Draft GERC MYT Regulations, 2023 has proposed as follows:

"29 Capital Cost

...

29.10 Generation Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, shall submit the Detailed Project Reports (DPRs) for all the schemes which shall include:

- (a) *Scope and Objective;*
- (b) *Purpose of investment;*
- (c) *Broad Technical Specifications of the proposed investment and*



supporting details;

- (d) Capital Structure;*
- (e) Capitalization Schedule;*
- (f) Financing Plan, including identified sources of investment;*
- (g) Physical targets;*
- (h) Cost-benefit analysis;*
- (i) Prioritization of proposed investments:*

Provided that DPRs will not be necessary for schemes below the threshold level as provided in the Guidelines for Capital Investment Plan annexed as Annexure III of this Regulations:

Provided further that DPRs will not be necessary for schemes funded through Central or State Grant or through Consumer Contribution or through Deposit works. However, Generation Company or Transmission Licensee or SLDC or Distribution Licensee shall be required to intimate the Commission prior to the execution of such schemes:

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

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

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

4.4.2 The Commission in Regulation 29.15 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“29 Capital Cost



...

29.15 *The cumulative amount of capitalisation against non-DPR schemes for any year shall not exceed 20%, of the cumulative amount of capitalisation approved against DPR schemes for that year:*

Provided that the capitalisation under schemes funded through Central or State grant or through Consumer Contribution or through Deposit works shall not form part of the above-mentioned limit of 20% of the cumulative capitalisation:

Provided further that Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, should ensure that expenses that would normally be classified as O&M expenses are not categorised under non-DPR schemes.”

Stakeholders’ submissions:

- 1) GETCO has requested to consider modifying the Regulation 29.15 and consider capping the non-DPR expenditure to 20% of DPR capitalization on a cumulative basis considering the control period as a whole instead of capping the non-DPR capitalisation to 20% of DPR capitalisation for each individual year.

Analysis and Decision:

- 4.4.3 The suggestion made by the stakeholder has been considered and accordingly the final Regulation has been modified as follows:

“29 Capital Cost

...

29.15 *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**, of the cumulative amount of capitalisation approved against DPR schemes for that year:*

Provided that the capitalisation under schemes funded through Central or State grant or through Consumer Contribution or through Deposit works shall not form part of the above-mentioned limit ~~of 20%~~ of the cumulative capitalisation:

Provided further that Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, should ensure that expenses that would normally be classified as O&M expenses are not categorised under non-DPR schemes.”

4.5 Under-recovery of assets in SEZs, SIRs, Ports, etc.



4.5.1 The Commission in Regulation 29.16 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“29 Capital Cost

...

29.16 *In case of existing Distribution Licensees supplying in SEZs, SIRs, Ports and new Distribution Licensees, recovery of expenses attributable to the capitalized assets, i.e. depreciation, interest on loan, RoE and / or RoCE shall be allowed on pro-rata basis till the asset loading attains forty (40) percent, while the unrecovered portion of expenses will be deferred without any carrying cost.”*

Stakeholders’ submissions:

- 1) APL has submitted that there may be an issue of underloading of assets irrespective of type of licensees such as specific area licensees i.e. SEZs, SIRs, Ports and New Distribution Licensee during early phase of development and hence there should not be any discrimination amongst different type of Distribution Licensees. However, in case capital expenditure allowance is to be linked with asset loading, then the expenditure should be allowed along with carrying cost on compounding basis.

Analysis and Decision:

4.5.2 It is observed that the proposed recovery of expenses attributable to the capitalized assets on pro-rata basis till the asset loading attains forty (40) percent in order to mitigate the eventuality of putting burden of the cost of an under-utilized fixed asset on a lower volume of energy sales and / or contract demand and also avoiding unsustainably higher tariff to the retail consumers. Accordingly, the said Regulation does not need any modification and has been retained.

4.6 Initial Spares ceiling norms

4.6.1 The Commission in Regulation 29.20 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“29 Capital Cost

...

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

- (a) *Coal-based/lignite-fired thermal generating stations - 4.0 %*
- (b) *Gas Turbine/Combined Cycle thermal generating stations - 4.0 %*
- (c) *Hydro generating stations including pumped storage hydro generating station*



- 4.0 %

(d) *Transmission system and Distribution System*

- (i) *Transmission Line & Distribution Line* - 1.0 %
- (ii) *Transmission Sub-station & Distribution Sub-station (Green Field)* -4.0 %
- (iii) *Transmission Sub-station (Brown Field)*- 6.0 %
- (iv) *Series Compensation devices and HVDC Sub-station*- 4.0 %
- (v) *Gas Insulated Sub-station (GIS)*- 5.0 %
- (vi) *Communication System*- 3.5 %
- (vii) *Static Synchronous Compensator*- 6.0 %”

Stakeholders’ submissions:

- 1) GETCO has requested to increase the quantum of initial spares allowed for inclusion in the capital cost for Transmission Line & Distribution Line, Transmission Sub-station & Distribution Sub-station (Green Field) and Transmission Sub-station (Brown Field) to 2%, 6% and 9% respectively.

Analysis and Decision:

4.6.2 It is observed that the suggestion made by the stakeholder has not substantiated by any data and accordingly, the said Regulation does not need any modification and has been retained.

4.7 Scheme disapproval

4.7.1 The Commission in Regulation 29 of Draft GERC MYT Regulations, 2023 has proposed the methodology for approval of Capital Expenditure which forms the basis for determination of tariff.

Stakeholders’ submissions:

- 1) Federation of Kutch Industries Associations (FOKIA) and Federation of Gujarat Industries (FGI) have suggested that provision need to be made in this regulation that if Capital Expenditure approved is / cannot be used for the particular scheme for which it is approved, then such expenditure should not be capitalised.

Analysis and Decision:

4.7.2 It is observed that there are already sufficient safeguards to undertake the prudence check for the proposed capital expenditure plan and therefore, there is no need to add the suggested condition in the Regulations. The issue may be decided on case-to-case basis on merits.



4.8 Timeframe for approval of Capital Investment Schemes

4.8.1 The Commission in Clause 9.1 to 9.8 and 12.3 of Annexure III of Draft GERC MYT Regulations, 2023 has proposed as follows:

“Annexure III

...

9 Time Frame

- 9.1 *Utilities may apply for In-principle approval of DPR Schemes once in every quarter of each financial year and any filings done after the end of financial quarter will be considered along with the filings of the next quarter.*
- 9.2 *The Petitioner shall submit a list of all capital investment schemes planned to be undertaken for a financial year on or before 120 days from the start of the respective financial year and only those Schemes shall form part of the ARR which have been approved prior to the start of financial year.*
- 9.3 *Utility should submit the DPR of Capital investment schemes, along with supporting document as described in the above section to the Commission’s for ‘In-Principle’ Approval before implementation of capital works schemes;*
- 9.4 *With effect from April 01, 2025, only those DPR Schemes shall form part of the approved ARR, which have been submitted and approved through the Capital Expenditure Approval Framework.*
- 9.5 *Further, the ongoing Capex Schemes and Schemes projected in the first year of the MYT Period shall also be submitted separately for Commission’s review and approval, on post-facto basis, in accordance with Capex Approval Framework.*
- 9.6 *In case of existing Distribution Licensees supplying in SEZs, SIRs, Ports and new Distribution Licensees, recovery of expenses attributable to the capitalized assets, i.e. depreciation, interest on loan, RoE and / or RoCE shall be allowed on pro-rata basis till the asset loading attains forty (40) percent, while the unrecovered portion of expenses will be deferred without any interest cost.*
- 9.7 *Acceptance of the DPR can be done within 30 days of submission, only upon receipt of a complete feasibility report accompanied by the requisite additional information, particulars and documents in compliance with the requirements specified in this guideline.*
- 9.8 *The Commission shall issue the ‘In-principle’ clearance letter within 90 days of acceptance of submission, if the Commission found the proposed scheme prudent as per the aspects mentioned in these guidelines.*



.....
12 Miscellaneous

...
12.3 *Prior In-principle approval is not required for schemes falling under Non-DPR Schemes, Schemes where 100% of the funding is through Grants or Schemes that fall under emergency works. In case of emergency works, the petitioner needs to intimate the Commission within 15 days from start of work and DPR needs to be submitted for approval after the work begins.”*

Stakeholders’ submissions:

- 1) GETCO has submitted that the routine or planned schemes would be typically submitted on an annual basis (within the timeline prescribed in the approval guidelines) for approval by the Commission. GETCO has requested to suggest a timeline for timely approval of the DPRs so as to enable the licensees to initiate work on implementation of the schemes. GETCO has further submitted that in case of urgent schemes, the DPRs will be submitted as and when they are prepared, and the Commission is requested to approve the same on priority basis.
- 2) SLDC has requested the Commission to reduce acceptance of the DPR from 30 days to within 10 days of submission, upon receipt of a complete feasibility report and to issue the ‘In-principle’ clearance letter within 30 days of acceptance of submission instead of 90 days to speed-up the project initiation and to minimize the time period for approval of project.

Analysis and Decision:

- 4.8.2 It is observed that the timelines for approval of DPRs have been mentioned in section 9 of Annexure III to the draft GERC MYT Regulations, 2023.
- 4.8.3 With respect to approval of urgent schemes, as mentioned in clause 12.3 of Annexure-III of the Draft GERC MYT Regulations, 2023, the petitioner needs to intimate the Commission within 15 days from start of work and DPR needs to be submitted for approval after the work begins.
- 4.8.4 Accordingly, the provisions mentioned under Annexure III to the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

4.9 Additional Capitalisation

- 4.9.1 The Commission in Regulation 30.3 of Draft GERC MYT Regulations, 2023 has proposed as follows:



“30 Additional Capitalisation

...

30.3 Additional Capitalisation beyond the original scope of work:

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

.....

(xi) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialisation of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets, etc., bought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. April 01, 2024:

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

Stakeholders’ submissions:

- 1) With regard to disallowing the expenditure given in first proviso of Regulation 30.3.1(xi), GSECL has submitted that such assets generally have smaller life span and are required to be replaced periodically. GSECL is classifying such assets into revenue or capital items in accordance with the relevant Accounting Standards issued under the Companies Act. Hence, GSECL has requested for such capitalization to be allowed.
- 2) SLDC has suggested that the additional capitalization shall be allowed for hardware / software modifications in thermal (coal / lignite / Gas) units for improving primary frequency response, enhancing turn down level and to improve existing ramp rate in order to enhance flexibility in the system and facilitate large-scale integration on Renewable Energy Sources as per the Central Electricity Authority (Flexible Operation of Coal based Thermal Power Generating Units) Regulations, 2023. Further, SLDC has requested the Commission to allow the additional capitalization for refurbishment of



hydro units to operate for reversible pump mode operation.

- 3) APL has suggested that additional capitalization on account of Bio-mass cofiring as per biomass utilization policy mandated by MoP and additional capitalization on account of Flexibilization readiness as per CEA notification dated 25th Jan 2023 shall also be covered under this clause.
- 4) GETCO has submitted that in case of de-capitalisation of assets, the corresponding adjustments in cumulative depreciation and cumulative repayment of loan suggested in the Regulation should not lead to disallowance of the depreciation against the decapitalised which is already allowed for recovery from the ARR in the past.
- 5) CRISIL has suggested that there needs to be a deterring mechanism to control projecting higher capitalization and not doing the same during the year. The utility's ARR and thus Tariff is inflated by projecting high numbers under Capitalization.

Analysis and Decision:

4.9.2 It is observed that the provisions w.r.t biomass co-firing have been suitably included in the finalized GERC MYT Regulations, 2024. Regarding other provisions pertaining to Additional Capitalisation, it is observed that the proposed provisions under 'Additional Capitalisation' in the draft GERC MYT Regulations, 2023 are inclusive and sufficiently covers any eventuality being envisaged by the stakeholders' in their submission. Accordingly, the draft GERC MYT Regulations, 2023 does not need any further modification in this regard.

4.10 Debt-Equity Ratio

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

Stakeholders' submissions:

- 1) GETCO has submitted that such assets will no longer earn equity beyond 5 years from completion of the useful life, and this shall significantly affect the return allowed to the licensee after useful life and thereby impact the decision of the licensee to undertake additional capitalization for extension of life/efficient operation of asset after useful life. Further, this approach shall only encourage the Licensee to seek replacement of the asset at the earliest rather than trying to maintain it for longer period which will impact the overall cost of operations. GETCO has further submitted that the APTEL had passed



a judgment in Appeal No. 121 of 2005 dated 16th May, 2006, stating that any mechanism by which the equity is gradually reduced proportionately reducing the rate of return below the specified rate of return is not legal. The judgment in this matter was upheld by the Supreme Court in its Judgment dated 24th February, 2016 in Appeal no. 5133 of 2006 with Appeal No. 256 of 2007, where the Apex Court had held that – “That there is no depreciation on equity, cannot be disputed”. GETCO has further submitted that the change in approach at this stage may impact the prospect of future investments in the sector and the availability of funding and the terms & conditions at which the same would be available. Most of regulatory Commissions including CERC, MPERC, MERC, etc. allow return on equity till the asset is retired, decapitalised or replaced. Accordingly, the Commission is requested to exclude the provision related to reduction of equity of assets which have completed its useful life over the period of 5 years from the proposed Regulation.

- 2) APL has submitted that RoE approach being a tried and tested approach has been followed by all Regulatory Commissions including CERC and provides regulatory certainty to investors and therefore has a strong case to be continued in next control period as well.
- 3) GUVNL has submitted that the reduction of equity should be linked to de-capitalization or retirement or replacement of assets only and not to the approved accumulated depreciation net of repayment of normative loan as it will be detrimental to DISCOMs existing investment as well as future investment capabilities.
- 4) TPL has requested to delete the first proviso of Regulation 32.1 of Draft GERC MYT Regulations 2023 as MoP Rules mandates the Commission to align RoE with the rate of RoE as specified by CERC and the proposed proviso is contrary to the Rule as it proposes reduction in Equity upon completion of life of the project. Further, TPL has suggested to delete the proviso (v) of Regulation 32.2 of Draft GERC MYT Regulations, 2023 as the Utility is already required to submit the Accounting /Financial Statement duly certified by the Statutory Auditors of the Company and hence, there is no need for such additional certification regarding infusion of funds from internal resources.

Analysis and Decision:

4.10.2 It is observed that the objective and rationale for introducing RoCE approach has already been discussed in detail in the Explanatory Memorandum to the Draft GERC MYT Regulations, 2023. Further, the various judgments of Appellate Tribunal of Electricity and Supreme Court referred to by the stakeholders, which were based on the facts and context of the specific cases cannot be referred to diminish or limit the powers of the Commission under various provisions of the Electricity Act, 2003 to frame



regulations for determination of tariff. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained,

4.11 Interest and finance charges

4.11.1 The Commission in the draft GERC MYT Regulations, 2023 has proposed as follows:

- 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.

Stakeholders' submissions:

- 1) APL and MUL has submitted that capping of interest rate would result in under-recovery of tariff to generators / licensees and consequent erosion of their net worth and hence suggested that the actual interest rate should be allowed. APL and MUL have further suggested that even if the WAROI has to be capped, it should be done considering the bank rate at SBI MCLR + 350 bps and SBI MCLR + 300 bps respectively.
- 2) APL has further submitted that installation of ECS is pursuant to change in law and any capping of interest rate for debt funding will lead to under-recovery and hence violate the principle of restitution laid down by the Energy Watchdog Judgment of the Supreme Court.
- 3) GSECL has suggested continuing with the existing regulation and has suggested to consider SBI MCLR + 150 bps in case if no actual loan is outstanding but normative loan is outstanding.
- 4) GIFT PCL has submitted that it would be inappropriate to cap interest on loan as it is market driven and depend upon rating of the company and would result into under recovery of tariff.



- 5) GUVNL has requested to consider an equitable approach and allow actual rate of interest on loans as distribution utilities do not have any control on the terms of repayment, rate of interest, etc. GUVNL has further requested that the sharing of gains mechanism should be applicable in case of actual WAROI less than one-year SBI MCLR plus 50 basis points instead of a 50:50 sharing. GUVNL has also requested to consider that the actual interest rate on loans should also extend to cases of refinancing loans, as it ensures consistency in the treatment of interest costs.
- 6) Prof. Ajay Pandey has submitted that the proposed norms and band for interest rate spread is a step in the right direction as maintaining the creditworthiness is the responsibility of the regulated entity for which the consumers should not be expected to pay higher interest rate on account of poor rating or creditworthiness of a regulated entity.
- 7) TPL has submitted that capping of interest rate is against the principle of Electricity Act / Tariff Policy to ensure recovery of all legitimate cost of supply. Also, the interest rates are higher for private entities as compared to Government Entities due to Sovereign back up enjoyed by such government entities. Hence, TPL has suggested to not cap the interest rate and delete such provisions that would result in discrimination.

Analysis and Decision:

4.11.2 It is observed that the objective and rationale for introducing normative interest rate regime has already been discussed in detail in the Explanatory Memorandum to the Draft GERC MYT Regulations, 2023. The stakeholders have not demonstrated through facts and figures as to how the proposed shift to normative interest rate regime would result in under-recovery of interest. Further, inefficiency of the utilities in borrowing costs cannot be continued to be passed on to the consumers after passing of so many multi-year tariff control periods and a need was felt to benchmark the same. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

4.12 Consumer Security Deposit

4.12.1 The Commission has proposed in the Draft GERC MYT Regulations 2023 that 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 notified by the Reserve Bank of India, as on 1st April of the financial year in which the Petition is filed.

Stakeholders' submissions:

- 1) GKVGS has submitted that Interest on Security Deposit should be linked with prime



lending rate of SBI/ any other bank from which the electricity utility is borrowing money by the way of advances instead of Bank Rate.

Analysis and Decision:

4.12.2 It is observed that the interest rate has been linked to Bank Rate notified by the Reserve Bank of India as per the GERC Security Deposit Regulations 2005. Accordingly, the proposed Regulation 34 has been as follows:

“34 Consumer Security Deposit

34.1 *Interest shall be allowed on the amount held as security deposit held in cash from Transmission System Users, Distribution System Users and Retail consumers at the Bank Rate, **notified by the Reserve Bank of India**, as on 1st April of the financial year in which the Petition is filed:*

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

4.13 Return on Equity

4.13.1 The Commission has proposed to introduce the following important changes in the context of Return on Equity as given below:

- The maximum rate of Return on Equity for Transmission Licensee has been proposed to be reduced from 14% to 13%;
- The rate of Return on Equity is proposed to be allowed in two parts viz. Base Return on Equity, and Additional Return on Equity linked to actual performance – Base Return of 11.50% and Additional RoE of 1.50% for Transmission Licensee, SLDC and Wire Business of Distribution Licensee;
- Linkage Additional RoE linked to (i) over achievement of transmission availability (ceiling of 1%); (ii) reduction of transmission losses beyond threshold limit (ceiling of 0.50%);
- Discontinuing the incentive against achieving higher availability of transmission network;
- From the beginning of third year of the Control Period, in case of GETCO and SLDC, the additional rate of Return on Equity shall only be allowed in case the SLDC is constituted as a separate and independent legal entity from GETCO in accordance with the provisions of Section 31(2) of the Act;
- From the beginning of third year of the Control Period, in case of Distribution



Wire Business and Retail Supply Business, the additional rate of Return on Equity shall only be allowed if separate books of accounts for the Distribution Wire Business and Retail Supply Business are maintained by the Distribution Licensee;

- The rate of Return on Equity for thermal generating stations is proposed to be linked with achievement of incremental ramp rate and Mean Time Between Failure (MTBF).

Stakeholders' submissions:

- 1) GIPCL supports continuing with the current RoE (GFA) approach to enable the generator to make necessary modifications and replacements for the Lignite Power Plant with CFBC Technology, despite challenges in indigenous spare availability and longer maintenance duration.
- 2) With respect to the Capital Asset Pricing Model (CAPM) used by the Commission to compute the expected cost of Equity, GETCO has submitted that while CAPM is amongst the more popular and widely accepted method for determining the cost of equity, the outcome using this model is indicative or approximate as it is dependent on data used for the computation of the expected return and cannot be considered as the only basis for reducing the RoE for the utilities. Further, GETCO has submitted that it would be appropriate to use the data for past 10 years instead of 13 years to maintain consistency in approach for across various parameters in the Regulations using which the expected rate of return works out to 16.58%. Accordingly, GETCO has requested to increase the rate of RoE to at least 15.5% in line with CERC and other SERCs. Further, TPL has also submitted that the CAPM considered isn't representative and most power entities are unlisted, and the listed ones have significant non-regulatory business.
- 3) GETCO has also requested that the rate of RoE should not be split into base RoE and additional rate of ROE and instead the earlier mechanism of incentive as per the GERC MYT Regulations 2016 which was linked to achieving higher availability should be reinstated as a separate element and to not link additional RoE to transmission loss improvement.
- 4) GETCO and SLDC have submitted that they should not be penalized for decisions which are not under their reasonable control and accordingly, the proposed Regulation 35.9 of the draft GERC MYT Regulation 2023 should be removed.
- 5) APL and TPL have submitted that as per the Electricity (Second Amendment) Rules, 2023 dated 26.07.2023 notified by MoP, fixing any rate of RoE other than that specified by the CERC (which is presently 15.5% for thermal generating station, transmission system) would result in the violation of the MoP Rules. Accordingly, APL, TPL and MUL



have suggested that the base rate of RoE prevailing as on date should not be reduced and the incentive should be over and above the base rate of RoE in line with CERC Regulations.

- 6) TPL has suggested to keep base rate of RoE to 15.5% for Generating Stations, Transmission Licensee and SLDC and 15.5% for Distribution Business.
- 7) SLDC has requested to consider RoE for SLDC in line with WRLDC being in same nature of business, which is at 15.5%.
- 8) GSECL has requested to not link the achievement of ramp rate and MTBF with ROE and submitted that RoE should be allowed at 14% as per the existing approach.
- 9) GIFT PCL and GUVNL have requested to retain the base RoE at 14% and give additional incentives to DISCOMs based on achievement of performance targets. GIFT PCL has further requested to incorporate RoE percentage for Renewable Energy Generation in the final regulations. GIFT PCL and TPL have also submitted that benchmarking the norms separately for government owned distribution licensees and other distribution licensees for additional RoE is discriminatory and against the principle of Electricity Act 2003.
- 10) GUVNL has requested to not impose the compulsory preparation and maintenance of an additional set of accounts specifically for Regulatory Accounting, as mandated under the Multi-Year Tariff (MYT) framework as it would unduly burden the Distribution companies, exacerbating the already intricate and resource-intensive nature of their financial compliance obligation stipulated by the Company's Act, Income Tax regulations, Cost Audit procedures, Statutory Auditing standards, as well as supplementary disclosures mandated by the MCA and the MoP/MNRE.
- 11) PEG and Prof. Ajay Pandey have commended the Commission for conducting detailed analysis for revision of rate of return on equity and also has supported performance-based RoE regime to incentivise the regulated entities to focus on the performance linked parameter. Prof. Ajay Pandey has also supported the proposal to move from availability to losses for the transmission raises the bar higher as the earlier parameter of availability was merely hygienic in character.
- 12) GKVGSS has suggested that looking to the present scenario, the rate of RoE should be allowed within the Cap of 10% per annum for all kinds of electricity companies, uniformly.

Analysis and Decision:

4.13.2 After careful consideration of the stakeholders' comments and also in the wake of the detailed analysis undertaken in the Explanatory Memorandum to the Draft GERC MYT



Regulations, 2023, it is observed that while it would be apt to introduce a two-part RoE rate regime, i.e. base/assured rate of RoE plus performance based rate of RoE. Further, in the wake of MoP's Electricity (Second Amendment) Rules, 2023 requiring adoption of the rate of return of equity determined in the CERC (Terms and Conditions of Tariff) Regulations, 2024, and also in the wake of the revised RoCE framework and debt-equity ratio made applicable from the new Control Period, it was felt apt to suitably amend the relevant clauses of the Draft GERC MYT Regulations, 2023.. Further, in case the conditions of separation of entity are not met in case of GETCO and SLDC, due to reasons beyond their control, the entities may not be penalized, if they have taken sufficient steps at their end. Accordingly, the proposed finalised Regulations have been modified as under:

“35 Return on Equity

35.1 *Maximum Return on Equity that shall be allowed on the equity capital determined in accordance with Regulation 32 of these Regulations for the assets put to use **for the Generating Company and Retail Supply Business up to the rate of 15.50% per annum in Indian Rupee terms and for Transmission Licensee, SLDC and Distribution Wires Business, up to the rate of 15.00% per annum in Indian Rupee terms:***

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

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

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

35.2 *Base Return on Equity of 13.00% per annum in Indian Rupee terms shall be allowed on the equity capital determined in accordance with Regulation 32 of these Regulations for the assets put to use:*

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

Provided further that such claim for lower Return on Equity shall be allowed subject to the condition that the reduction in Return on Equity shall be foregone



permanently for that year and shall not be allowed to be recouped at the time of Mid-Term Review or true-up as applicable.

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

(a) *Return at the allowable rate as per this Regulation, applied on the amount of equity capital at the commencement of the Year; plus*

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

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

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

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

(a) *an additional rate of Return on Equity shall be allowed as per the following schedule:*

(i) **0.50%** *for Unit that achieves Mean Time Between Failure (MTBF) of at least 45 days;*

(ii) **0.75%** *for Unit that achieves Mean Time Between Failure (MTBF) of at least 90 days;*

(iii) **1.00%** *for Unit that achieves Mean Time Between Failure (MTBF) of at least 120 days:*

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

Provided further that the equity base for the respective unit shall be



considered in proportion to the installed capacity of the generation station, in case the tariff is determined for the generation station as a whole;

(b) an additional rate of Return on Equity of 1.50% shall be allowed for higher than 90% availability during peak hours (except during scheduled maintenance decided at start of the FY);

(c) For thermal generating stations, besides the rate of Return on Equity of 15.50% (13.00% + 2.50%), an additional rate of Return on Equity of 0.125% shall be allowed for every incremental ramp rate of 0.50% per minute achieved over and above the ramp rate specified by Central Electricity Authority (CEA), subject to the ceiling of additional rate of return on equity of 1.00%.

35.7 In case of Storage type hydro generating stations, with effect from April 01, 2025, the additional rate of Return on Equity shall be trued-up subject to the following:

(a) an additional rate of Return on Equity shall be allowed as per the following schedule:

(i) 2.00% for Unit that achieves Mean Time Between Failure (MTBF) of at least 45 days;

(ii) 3.00% for Unit that achieves Mean Time Between Failure (MTBF) of at least 90 days;

(iii) 4.00% for Unit that achieves Mean Time Between Failure (MTBF) of at least 120 days:

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

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

(a) an additional rate of Return on Equity of 0.25% shall be allowed on Transmission Availability for every 0.25% over-achievement from 98.50% for AC System and 95.00% for HVDC bi-pole links and HVDC back-to-back stations, up to Transmission Availability of 99.50% for AC System and 96.00% for HVDC bi-pole links and HVDC back-to-back stations, subject to ceiling of additional rate of Return on Equity of 1.00%;

(b) an additional rate of Return on Equity of 0.50% shall be allowed to the Transmission Licensee for reducing transmission loss levels beyond the lower limit of 0.05% of transmission loss trajectory provided by the Commission from time to time, subject to ceiling of additional rate of Return on Equity of 1.00%.



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

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

(b) *Target Availability of the Website, Web based Scheduling system and Web based STOA websites shall be 98.00% and for every 0.50% over-achievement in Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;*

(c) *Additional rate of Return on Equity of 0.50% shall be allowed for timely issuance of monthly State Energy Account Statement and monthly State Transmission Loss Statement, for which time may be specified by the Commission from time to time;*

(d) *Additional rate of Return on Equity of 0.50% shall be allowed, if the total value of capital investment works capitalized in a financial year exceeds 80% of the approved capitalization of approved capital investment works.*

35.10 *From the beginning of third year of the Control Period, in case of Transmission Licensee- Gujarat Electricity Transmission Corporation Limited (GETCO) and SLDC, the additional rate of Return on Equity as mentioned in Regulation 35.8 and Regulation 35.9 of these Regulations, shall only be allowed, in case the SLDC is constituted as a separate and independent legal entity from GETCO in accordance with the provisions of Section 31(2) of the Act:*

Provided that the Commission may consider extending the timeline based on reasonable justification submitted by the Utilities.

35.11 *In case of Distribution Wires Business, with effect from April 01, 2024, an additional rate of Return on Equity shall be trued-up, subject to the following:*

(a) *Target Wires Availability for recovery of base rate of return on equity shall be 96.00% for state government owned Distribution Licensees and 97.00% for other Distribution Licensees;*

(b) *For every 0.50% over-achievement in Wires Availability, rate of return shall be increased by 0.25%, subject to ceiling of additional rate of Return on Equity of 0.50%;*

(c) *Wires Availability shall be computed in accordance with the following formula:*



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;

(d) an additional rate of Return on Equity shall be allowed up to ceiling limit of 0.50% to Distribution Licensees for reducing distribution loss levels beyond loss trajectory provided by the Commission as per the following schedule:

- (i) 0.50% for loss levels targets above 10.00%;*
- (ii) 0.30% for loss levels targets above 5.00% and up to 10.00%;*
- (iii) 0.10% for loss levels targets below 5.00%:*

(e) an additional rate of Return on Equity shall be allowed up to ceiling limit of 1.00% achievement of certain specified target performance parameters such as Substation transformer failure rate, distribution transformer failure rate, Feeder/DT smart metering, capex achievement Vs approved, CGRF performance (efficacy in dispute resolution/complaint handling), compliance with Electricity (Rights of Consumers) Rules or any other performance parameter shall be trued up as per the trajectory provided by the Commission in the respective MYT Orders for the Control Period:

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

35.12 In case of Retail Supply Business, with effect from April 01, 2025, an additional rate of Return on Equity on achievement of certain specified target performance parameters including overall collection efficiency (where smart metering is not implemented), percentage of assessed bills over total bills, meeting RPO Trajectory targets, CGRF performance (efficacy in dispute resolution/complaint handling), compliance with Electricity (Rights of Consumers) Rules or any other performance parameter shall be trued-up as per the trajectory provided by the Commission in the respective MYT Orders.

35.13 From the second year of the Control Period, in case of Distribution Licensees, the additional rate of Return on Equity as mentioned in Regulations 35.11 and 35.12 of these Regulations, shall only be allowed to Distribution Wire Business



and Retail Supply Business, if separate books of accounts for the Distribution Wire Business and Retail Supply Business are maintained by the Distribution Licensee, and certified copies of such accounts from the Statutory Auditor are submitted along with the truing-up petitions for the respective financial years:

Provided that the guidelines specified by the Commission as per Annexure V to these Regulations to be followed:

Provided further that the Commission may consider extending the timeline based on reasonable justification submitted by the Utilities.

- 35.14 *For the purpose of truing up for Generating Company, Transmission Licensee, SLDC and Distribution Licensee, Return on Equity shall be allowed on the amount of allowed equity capital for the assets put to use at the commencement of each financial year and on 50% of equity capital portion of the allowable capital cost for the investments put to use during the financial year.*
- 35.15 *Assets funded by consumer contributions, capital subsidies/Govt. grants shall not form part of the capital base for the purpose of calculation of Return on Equity.*
- 35.16 *Premium if any, raised by Generating Company or Transmission Licensee or SLDC or Distribution Licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting capital expenditure, and are within the ceiling of 30% of capital cost approved by the Commission.”*

4.14 Return on Capital Employed

4.14.1 The Commission in the draft GERC MYT Regulations 2023 has proposed the RoCE approach for assets that are being capitalized from the new Control Period.

Stakeholders' submissions:

- 1) GIPCL has requested to retain the RoE approach so that generator can carry out requisite modifications/replacement required to efficiently run the plant for the PPA life of 25 years and even beyond and supply power to the grid at a reasonable rate.
- 2) GETCO, GUVNL and TPL have requested to continue with the existing approach of allowing RoE instead of shifting to the RoCE concept as CERC has also time and again examined the merits and demerits of the RoE and RoCE approaches and decided in the favour of continuing with the RoE approach. The same has also been suggested for the control period 2024 to 2029. Further, the ROE approach should be continued till the



- sector has matured and ensure that the returns do not diminish and will encourage investments in the state power sector by boosting investor confidence.
- 3) GETCO has further requested to allow all financing related expenses including those related to availing loans as a pass through in the ARR in line with the approach being adopted by the Commission in the past as well.
 - 4) APL, MUL and GIFT PCL have also requested to continue with the present RoE approach.
 - 5) GSECL has suggested continuing the RoE approach as adopting the RoCE approach may create jeopardy since the provision will require the utilities to maintain separate FARs, accounting treatment and monitoring of both class of assets. GSECL has further submitted that since most of their plants are older, efficiency improvement projects are being implemented rather than declaring them as scrap for which capital contribution in the form of equity is required and availability of RoE throughout the life of the project helps the generator to keep the plants in good working condition for a longer period.
 - 6) Prof. Ajay Pandey has submitted that the assumption of constant equity over the life of a project for tariff setting was a feature inserted in the policy way back in 1992 for generation when it was considered desirable to attract private capital in the sector even by paying high returns on investment. This assumption along with accelerated depreciation increased the offered return to investors in the sector beyond the level which can be economically justified. While the recovery of accelerated depreciation was stopped by the Regulators 15 years ago, the constant equity assumption for depreciated assets is still to be corrected by the Regulators. It is heartening to see that the Commission has recognised this issue and has proposed to address it by moving towards RoCE approach for new assets and reduction of equity post useful life of the old assets.
 - 7) TPL has submitted that the RoCE approach contradicts MOP Rules, is complex and has inherent fallacies and hence should not be considered. With RoCE, the ROE for 30% equity diminishes by roughly 5.4% yearly, creating a financially untenable scenario.

Analysis and Decision:

4.14.2 It is observed that the objective and rationale for introducing RoCE regime has already been discussed in detail in the Explanatory Memorandum to the Draft GERC MYT Regulations, 2023. Further, there is neither any policy guidance nor any statutory binding to compulsorily continue with the RoE regime. Further, RoCE approach has been adopted by many other Regulators in the electricity sector as well as other infra sectors. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification in this regard and has been retained.



4.15 Depreciation

4.15.1 The Commission in the Draft GERC MYT Regulations 2023 has proposed the methodology for calculation of depreciation.

Stakeholders' submissions:

- 1) GIPCL has suggested that since term loan with tenure of 15 years is possible, the Depreciation can be at the notified rate up to the 15th year and thereafter the remaining amount may be spread out over the balance life of the Plant for a better tariff.
- 2) GETCO has highlighted that regarding the treatment provided by GETCO regarding accounting of the depreciation for assets created through grants or consumer contribution, GETCO is treating deferred income as part of the non-tariff income to nullify the effect of depreciation on fixed assets created out of funds from Grants & Consumer Contribution. In view of the same, since the depreciation charged / allowed during the year is considered for making repayment of the loans, the total depreciation shown in the books of accounts should be reduced by the deferred income and net depreciation should be considered as repayment of loan as the Commission is not allowing any returns and interest on consumer & grant funded assets. GETCO has requested the Commission to include this fact in the MYT Regulations for the purpose of abundant clarity in the approach to be adopted for approving the repayment of loans in such situations. Repayment of loan considered during the year = (Depreciation charged during the year – Deferred income passed on through non-tariff income).
- 3) CRISIL has requested that disallowance of depreciation in case of lower availability, may be allowed to be recovered during later stage of asset life or life extensions.
- 4) SLDC has suggested a change in methodology of considering repayment equal to the depreciation as the current methodology is appropriate when normative loans are equal to the actual term loans of the utility. But in reality, SLDC's average normative loans are considerably less than average actual term loans.
- 5) GSECL has requested for charging depreciation due to emission control system, which is commissioned after the generating station, on balance useful life of the existing generating station.
- 6) GUVNL has requested to continue with existing approach, which is already consistent with established accounting practices instead of separate depreciation computations for assets added at different times as it would obviate the need for additional separate accounting, reducing administrative burden and complexity. GUVNL has further submitted that amount of depreciation to be charged for the Assets is in accordance with the Depreciation Policy and the same is available in the Financial Reporting Statements



duly certified by the Auditors. Accordingly, the 1st proviso to clause 37.2 (f) is requested to be deleted.

- 7) GKVGSS has suggested that depreciation should not be allowed for the purpose of ARR because it is being allowed as per Income Tax Act for the considering taxable income after its deduction.

Analysis and Decision:

4.15.2 It is observed that there is no merit in extending the tenure of applying depreciation rate from 12 years to 15 years. Any benefit envisaged to be accruing from it may affect the rate of interest on long-term debt, as depreciation is considered as means of debt repayment in the regulatory framework. Further, the Regulations cannot be modified to suit or accommodate the treatment of depreciation in the books of accounts of a particular utility and the regulatory treatment of depreciation shall necessarily be in line with the provisions of the MYT Regulations. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

4.16 Interest on Working Capital

- 4.16.1 For Generating stations, the Commission had proposed to reduce the norm of working capital i.e. cost of coal or lignite and limestone from 30 days to 20 days for pit-head generating stations.
- 4.16.2 For Retail Supply Licensees, the Commission had proposed for average monthly collection from Prepaid Consumers and the mount held as security deposits from consumers to be deducted from the Receivables.

Stakeholders' submissions:

- 1) CRISIL has submitted that the reduction from 30 days to 20 days should not be considered as this would discourage generators from stocking coal, which may affect the reliability of the generators given the frequent severe coal shortage being observed in the country. CRISIL has further submitted that considerable Security Deposit is kept with Distribution Licensees already whose interest is way over their requirement of Working Capital and hence suggested for the excess Security Deposit should be considered as Non-Tariff Income.
- 2) APL has suggested that the existing norms as per MYT Regulations, 2016 may be retained as lead time for delivery of imported coal is higher and any reduction in working capital norms will result in under-recovery to the generator and additional working capital 30 days cost of limestone or reagent to be considered in line with CERC.
- 3) With respect to the cost of primary fuel as working capital norm, GSECL has requested



to continue with the present norm as restricting the norm to one month shall badly affect the liquidity of GSECL and 1 1/2 month of fuel cost component is required to avoid coal shortages and subsequent generation loss by the thermal generating stations.

- 4) GSECL has further requested to remove the provision of computing the working capital during true up linked with scheduled generation and average coal stock.
- 5) GIFT PCL has requested to incorporate the methodology for calculating the Interest on Working capital for Renewable Generating stations.
- 6) With respect to working capital norms of Distribution Wires and Retail Supply Business, GUVNL and TPL have requested allow Receivables equivalent to two (02) months of the expected revenue. GUVNL has stated that Forum of Regulators in the Model Regulations for Multi-Year Distribution Tariff, 2023 have considered the same.
- 7) Prof. Ajay Pandey has submitted that the proposed tightening of working capital norms is a step in the right direction as the norms need to reflect increased use of technology, increased efficiency in managing transport of inputs and collection of money and should not be what they were 10-15 years back. He has further submitted that there is no independent way to assess the availability of a thermal generating station due to coal stock availability and generating stations may not maintain the normative coal stock. Hence, monthly opening, closing stock, purchases, and delivered and sold should be reported to the Commission and the Commission may provide for random stock verification from time to time.
- 8) TPL has suggested to adjust the cost of coal or lignite and limestone to be for 30 days for pit-head generating stations and 45 days for non-pit-head generating stations.
- 9) GKVGS has suggested to not allow IoWC for the purpose of ARR as when ROI is considered, interest on working capital is not allowable.

Analysis and Decision:

4.16.3 It is observed that the objective and rationale for computation of normative working capital requirement for different utilities introducing RoCE approach has already been discussed in detail in the Explanatory Memorandum to the Draft GERC MYT Regulations, 2023. While majority of the computation norms have been proposed to be continued from the existing MYT Regulations, minor modifications have been proposed in case of thermal generating stations and retail supply business of the distribution licensees in the wake of emerging situations in the sector. Further, the methodology for calculating the Interest on Working capital for renewable energy generating stations shall be covered under appropriate regulations or order of the Commission. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification as suggested by the



stakeholders. .

4.17 Normative Rate of Interest on Working Capital

4.17.1 The Commission had proposed the normative rate of interest on Working Capital as 1 year SBI MCLR + 150 basis points in Draft GERC MYT Regulations 2023.

Stakeholders' submissions:

- 1) GETCO, APL, MUL, GSECL, GUVNL and TPL have suggested to allow the Interest on Working Capital as 1-year SBI MCLR + 350 basis points stating that this will be in line with interest rates approved by the CERC and regulators in other states like Punjab, Madhya Pradesh & Uttarakhand. GETCO has further submitted that the existing rate of interest on working capital of 1-year SBI MCLR + 250 basis points is not sufficient to even cover the rebate allowed by GETCO to its customers for prompt payment of transmission charges invoices.

Analysis and Decision:

4.17.2 The Commission has noted the submissions made by various stakeholders regarding the normative rate of interest on working capital. Accordingly, Regulation 38.6 has been modified as under:

"38.6 Rate of interest on Working Capital

*38.6.1 Interest on working capital shall be allowed at a rate equal to the one year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) or any replacement thereof declared by SBI from time to time being in effect applicable for 1 year period, as applicable as on 1st April of the financial year in which the Petition is filed plus **200** basis points:*

*Provided that at the time of truing up for any year, interest on working capital shall be allowed at a rate equal to the weighted average of one year SBI MCLR or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable prevailing during the financial year plus **200** basis points."*

4.18 Income Tax

4.18.1 The Commission has proposed that the effective tax rate will be calculated on the basis of actual income tax paid as per the latest available Assessment Order issued by income tax authority under provisions of Income tax Act 1961, as amended from time to time.

Stakeholders' submissions:

- 1) GETCO has submitted that there is a significant delay in receiving the assessment



orders from the Income Tax authorities and the latest assessment order is available for FY 2007-08. In view of the unavailability of the latest assessment orders and considering that GETCO has been making provisions against income tax payment in the annual accounts considering the applicable corporate tax rate, the effective rate may be considered to be equivalent to the corporate tax rate for the relevant financial year.

- 2) MUL and GSECL have suggested to continue the existing methodology provided in GERC (MYT) Regulations, 2016 for Income Tax pass through on actual basis (i.e. actual tax paid). MUL has further suggested to change Regulation 39.4 (b) (i) to consider Net Income of Company after all eligible tax deduction.
- 3) GUVNL has suggested that the income tax liability shall be worked out by applying appropriate income tax rates on approved RoE and income tax actually paid, whichever is lower shall be allowed towards Tax on Income. GUVNL has further suggested that with respect to second proviso to Regulation 39.6, the penalty arising on account of delay in deposit or short deposit of tax amount shall not be allowed to be claimed except the reason for penalty is not attributable to utility because if the penalty is not allowed as pass through, the utility will be prone to making payment towards income tax as per the claim of Income Tax Department without any attempt to save tax liability based on bonafide interpretation of provisions of Income Tax Act.
- 4) TPL has suggested to revise the Regulation opting either for allowing recovery based on the actual income tax paid on the Profit Before Tax (PBT) basis or allowing normative income tax by grossing up without the restriction of the actual tax paid.

Analysis and Decision:

- 4.18.2 It is clarified that any penalty arising on account of delay in deposit or short deposit of tax amount never forms a part of income tax and hence has never been considered as part of Income tax. Further, the proposed Regulation 39 already clarifies the treatment of effective tax rate in case tax is paid by the Utility as per corporate tax rate. It is further observed that the objective and rationale for the proposed approach of considering income tax rate have already been discussed in detail in the Explanatory Memorandum to the Draft GERC MYT Regulations, 2023. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification in this regard. . Further, as the Income Tax is not to be considered on the efficiency gains and incentive approved by the Commission, the same can not be allowed on the additional rate of return on equity also, which is a form of incentive only. Accordingly, Regulation 39 has been modified as under:



“39. Income Tax

39.1 *Income tax for Generating Company or Transmission Licensee or SLDC or Distribution Licensee for the regulated business shall be allowed on Return on Equity, through the tariff charged to the Beneficiary/ies, subject to the conditions stipulated in Regulation **Error! Reference source not found.** and Regulation **Error! Reference source not found.** of these Regulations:*

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

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

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

Provided also that the deferred tax liability attributable to the regulated business, only before March 31, 2025 shall be allowed by the Commission, whenever they get materialised, after prudence check.

39.2 *The rate of Return on Equity shall be grossed up with the effective tax rate of respective financial year.*

Provided that the rate of return on equity shall be grossed up with the effective tax rate on the basis of actual tax paid on the Book profit, in respect of financial year in line with the provisions of the relevant Finance Acts by the concerned the Generating Company or Transmission Licensee or SLDC or Distribution licensee, as the case may be.

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

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

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

Provided that in case of Generating Company or Transmission Licensee or SLDC or Distribution licensee has engaged in any other regulated or unregulated Business or Other Business, the actual tax paid on income from any other



regulated or unregulated Business or Other Business shall be excluded in proportion to the income from the said business for the calculation of effective tax rate:

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

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

Illustration:-

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

$$\text{Rate of return on equity} = 13.00\% / (1 - 0.17472) = 15.752\%$$

- (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 2025-26 is Rs. 500 Crore;*

(ii) *Income Tax for the year on above is Rs. 110 Crore;*

(iii) *Effective Tax Rate for the FY 2025-26 = Rs 110 Crore / Rs 500 Crore = 22%;*

(iv) *Rate of return on equity = 13.00% / (1 - 0.22) = 16.667%.*

- (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 be 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 2025-26 is Rs. 150 Crore;*

(ii) *Income Tax for the year on above will be ZERO.*

(iii) *Effective Tax Rate for the FY 2025-26 = Rs 0 Crore / Rs. (150 Crore) = 0%;*

(iv) *Rate of return on equity = 13.00% / (1 - 0.00) = 13.00%.*



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

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

39.5 *Under-recovery or over-recovery of any amount from the beneficiaries or the consumers on account of such tax having been passed on to them shall be adjusted every year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors. Generating Company, or Transmission Licensee or SLDC or Distribution Licensee, as the case may be, may include this variation in its trueing up petition.*

39.6 *Penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee, as the case may be."*

4.19 Rebate

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

Stakeholders' submissions:

- 1) GETCO has submitted that open access customers of the intra-state transmission system (like GUVNL) in the State on the date of coming into force of the Open Access Regulations under an existing agreement/contract are entitled to continue to avail such access to the transmission and distribution system on the same terms and conditions, as stipulated under their existing agreement/contract. The existing agreement between GUVNL and GETCO for availing access to the transmission network of GETCO provided for the 2% rebate on early payment of the monthly invoice. Therefore, the proposed reduction in the rebate will not be applicable for GUVNL which is the largest beneficiary of GETCO unless overridden based on the specific directions of the Commission in this regard.
- 2) CRISIL has requested for Rebate of 1% for Retail Consumers.
- 3) GUVNL has submitted that the Commission has proposed rebate of 1% (i.e. 12% p.a.) which is lower than the delayed payment charges (i.e. around 13.55% p.a. (SBI MCLR



rate: 8.55% p.a. + 5%)) and hence has requested for rebate of 2% (i.e. 24% p.a.) for payment within 7 days of bill submission.

- 4) TPL has suggested to continue with the current practice of considering rebate as Non-Tariff Income instead of adjusting it from power purchase cost.
- 5) GKVGSS has suggested that 1% rebate must be given to honest and regular bill paying customers.

Analysis and Decision:

4.19.2 The proposed Regulation 101.5 of the draft GERC MYT Regulations 2023, has already stated that the Distribution Licensee shall be allowed to offer a rebate to the consumers on tariff and charges determined by the Commission. Considering the suggestions of the stakeholders, the Regulation 40 has been modified as follows:

“40 Rebate

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

Provided that in case there are provisions related to rebate mentioned in the agreement between the utilities, the same shall prevail.

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.”

4.20 Delayed Payment Surcharge

4.20.1 The Commission had proposed as follows:

“41 Delayed Payment Surcharge

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

Provided that the 'Base Rate of Delayed Payment Charge' shall mean the one-year Marginal Cost of Funds-based Lending Rate ('MCLR') as declared by the State Bank of India, as applicable on the 1st April of the financial year in which



the period lies, plus five percent and in the absence of MCLR, any other rate as specified by the Commission from time to time:

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

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

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

...

41.4 *Late payment surcharge for the retail consumer shall be recoverable as per the terms mentioned in the respective Tariff Orders for the Distribution Licensees."*

Stakeholders' submissions:

- 1) CRISIL has submitted as follows:
 - a) Delayed Payment Surcharge needs to be equal to cost of borrowing i.e. 1 year SBI MCLR plus 150 basis points equivalent to rate of Interest on Working Capital;
 - b) for each successive month of delay, the rate of delayed payment charge should be increased by 1%, up to a maximum of 6% higher than the base rate as this will incentivize consumers to pay their bills on time and discourage late payments;
 - c) the treatment of delayed payment charge recovered by the utilities needs to be rationalized such that only the Delayed Payment Charge to the extent of utility's borrowing cost should be allowed to utility and the rest should be considered under NTI.
- 2) APL has submitted that the priority of payment apportionment of generator / transmission licensee dues should be done as per MoP's Late Payment Surcharge Rules, 2022 wherein payment should be first considered towards the outstanding LPS, followed by the longest overdue bill. This will also be in line with the CERC Tariff (Second) Amendment Regulations, 2019.
- 3) GKVGS has suggested that looking to the present scenario of interest rate of various bank, the delayed payment surcharge to be recovered from the retail consumer should



not be more than 9% per annum i.e. 0.75 paisa per month.

Analysis and Decision:

4.20.2 As explained in section 4.11 of the Explanatory Memorandum, the proposed Regulation has linked the ceiling rate of Delayed Payment Charges to Marginal Cost of Funding Lending Rate in line with the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 issued by the Ministry of Power, Government of India. Further, it is also observed that delayed payment surcharge is a nature of fine and its purpose is not to fund the working capital requirement. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.





5 GENERATION

5.1 Capital Investment Plan

5.1.1 The Commission had proposed as follows:

“46 Capital Investment Plan

46.1 Generating company shall submit a detailed capital investment plan, financing plan and physical targets for each year of the Control Period for capacity growth, replacement of assets, renovation and/ modernization, meeting the environment norms, etc., to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period:

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

Stakeholders’ submissions:

- 1) SLDC suggested broadening the Capital Investment Plan to cover compliance with new regulatory norms related to flexibility, ramp rate, and CEA standards, in addition to the existing requirements.

Analysis and Decision:

- 5.1.2 It is observed that the proposed Regulation 46 of the draft GERC MYT Regulations 2023, is an inclusive clause and accordingly, the said Regulation does not need any modification and has been retained.

5.2 Fuel Utilization Plan

5.2.1 The Fuel Utilization Plan, under Regulation 47, mandates the Generating Company to devise a comprehensive plan for fuel usage for the Control Period and explains key aspects regarding Fuel Allocation, Contents of the plan, Data Based Forecasting, Stakeholder Inputs and annual review and adjustments to the plan.

Stakeholders’ submissions:

- 1) PEG commended the Commission on requiring submission of a Fuel Utilisation Plan (FUP) from the generating companies as it is useful towards tracking contracted coal and alternative sources. PEG has further suggested that the Commission should specify penalties in case the FUP is not submitted as per formats prescribed by the Commission and in addition, the regulations should also require the generator to publish the requisite data on their website on a monthly basis, in accordance to the format required by the Commission.
- 2) TPL has suggested to remove the entire provision related to the 'Fuel Utilization Plan'



citing following reasons:

- a) Requiring a Fuel Utilization Plan for the Control Period is perceived as an unnecessary micro-management of the activities of a Generator.
 - b) The Commission already verifies these details during a true-up process, rendering this requirement redundant. It's impractical to seek monthly details for a span of 5 years, especially given the unpredictable nature of fuel availability and the volatile prices.
- 3) CER, IIT Kanpur has suggested fuel allocation based on ascending order of variable cost of generating stations will ensure higher availability of the low variable cost generating stations which will subsequently lead to lower fuel allocation to the generating stations with high variable cost (marginal plants). Therefore, it is recommended to modify calculation of fuel component in the working capital requirement for those marginal plants, so that the beneficiary will not incur the extra burden while paying the tariff of marginal generating stations.

Analysis and Decision:

5.2.2 The objective of the proposed Fuel Utilization Plan has already been discussed in the Explanatory Memorandum to the draft GERC MYT Regulations, 2023. It is imperative for Generating Companies to have a long-term, station-wise generation plan and a strategy for fuel sourcing to achieve the two-fold goal of optimizing coal/fuel utilization and reducing generation costs. The volatile nature of fuel prices and the uncertainties in predicting the balance of fuel over a long-term, as pointed out by TPL, is precisely the reason why the draft Regulations allow for an annual review of the Fuel Utilization Plan. This provision ensures that both the Generating Company and the Commission can make necessary adjustments based on unforeseen changes and new information. Accordingly, the introduction of the Fuel Utilization Plan is in line with the broader national objective of ensuring efficient fuel usage, optimizing costs, and ultimately benefiting all the stakeholders. Accordingly, the said Regulation does not need any modification and has been retained.

5.3 Renovation & Modernization

5.3.1 Regulation 50 mandates generating companies aiming for renovation & modernization (R&M) to extend the life of a generating station/unit to submit a detailed proposal to the Commission with a comprehensive project report detailing scope, cost-benefit analysis, life extension, completion schedule, and other relevant data including feedback and consent from beneficiaries. The Regulation also discusses about the approval process, specifics in case of gas and liquid fuel-based stations, and conditions for claiming estimates special allowances by coal-based/lignite fired thermal generating stations.



Stakeholders' submissions:

- 1) GSECL has requested to not to mandate the capital investment plan for modernization and renovation of the generating plants citing duplication of work (GSECL has to take approval from the State Government, being its owner) and delay in execution of plan as reasons.
- 2) GSECL and GIPCL have requested for higher allowance rate. Further, GSECL has also requested to continue with the escalation factor for the special allowance.
- 3) CER, IIT Kanpur has suggested that R&M investment approval and its recovery be linked to minimum availability and performance, and its recovery can be prorated and the same can be done for special allowance as well. He has further suggested that the Commission may decide to set a lower special allowance for the gas-based power plants and special allowance should be trued up in the interim or at the end of the control period.

Analysis and Decision:

- 5.3.2 The primary intention behind the mandate the capital investment plan for modernization and renovation of the generating plants is to ensure that Renovation & Modernization works are justified, cost-effective, and in the best interest of the consumers. Further, it is well understood that Generation related activities are guided through related guidelines from CERC, CEA etc. and the proposal for renovation and modernization shall be reviewed considering the best interests of consumers and the state's power needs.
- 5.3.3 Regarding special allowance rate, it is observed that the provision has been drafted after careful consideration of all the aspects and accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

5.4 Sale of Infirm Power

- 5.4.1 The Commission had proposed as follows:

“51 Sale of Infirm Power

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

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

Stakeholders' submissions:



- 1) GSECL has requested to continue with existing regulation that allows for tariff for sale of infirm power equivalent to actual fuel cost as considering the sale of infirm power as DSM may result in under recovery of actual fuel cost because the rate of DSM is dependent on system frequency.

Analysis and Decision:

- 5.4.2 In consideration of the suggestions of the stakeholders, the said Regulation is modified as follows:

“51 Sale of Infirm Power

51.1 *The tariff for sale of infirm power from a thermal generating station to the Distribution Licensee shall be equivalent to the actual fuel cost, including the secondary fuel cost, as the case may be, incurred during that period subject to prudence check:*

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.

51.2 *The tariff for sale of infirm power from a hydro-electric generating station to the Distribution Licensee shall be equivalent to the Energy Charge Rate (ECR) for the first financial year and revenue recovered from sale of infirm power shall be deducted from the capital cost.”*

5.5 Normative Annual Plant Availability Factor

- 5.5.1 Regulation 53.1 specifies the normative annual plant availability factors (NAPAF) for different generating stations. These factors play a pivotal role in recovery of the annual capacity charges for a generating station.

Stakeholders’ submissions:

- 1) GSECL has requested that since the Commission has revised the definition of ‘Availability’ to include Auxiliary Energy Consumption on account of emission control system (Aux_{en}), the Commission may further reduce the NAPAF to take care of this additional auxiliary consumption. GSECL has further requested to maintain the NAPAF at 84% for Gandhinagar TPS. Further, GSECL requested the Commission to set the NAPAF for BLTPS Unit-1 & 2 at 72%, in line with KLTPS as per technical assessment it is doubtful that it can achieve 70% due to design flaws.

Analysis and Decision:

- 5.5.2 It is observed that there is no historical data to quantify the need for further reduction in NAPAF to cater to the impact of Aux_{en} on NAPAF. Further, none of the other Regulators



(CERC / other SERCs) have made any further reduction in NAPAF on account of Aux_{en} . The impact of the same, if any shall be considered only after collecting enough historical data on the same.. It is further observed that the NAPAF has been determined based on historical trends submitted by the generating stations which have been substantiated in the Explanatory Memorandum to the draft GERC MYT Regulations, 2023. Accordingly, the said Regulation does not need any modification and has been retained.

5.6 Gross Station Heat Rate

5.6.1 The Commission in Regulation 53.2 of the draft GERC MYT Regulations, 2023 has proposed the Gross Station Heat Rate for existing generating stations of GSECL, TPL-G, and the formula to calculate Gross Station Heat Rate for the new generating stations (for all types of generating stations) commissioned after 1.4.2016.

Stakeholders' submissions:

- 1) GIPCL has requested that the Station Heat Rate of CFBC Lignite Power Plants may be specified as (1.05 x Design Heat Rate) without relating to conventional coal/ lignite-based power plants. GIPCL further requested to consider Station Heat Rate for CFBC Lignite Power Plants on case to case basis as there are no other plants with similar technology.
- 2) TPL has recommended a Gross Station Heat Rate (SHR) of 2700 kCal/kWh for all three Generating Stations of Ahmedabad. The normative SHR for similar units is set higher, for instance, 2460 to 2572 kCal/kWh for GSECL's ~200 MW unit and 3000/3231 kCal/kWh for KLTPS-3 & 4. TPL has suggested that in order to maintain parity and adhere to the Tariff Policy, AMGEN's 120 MW units should have a higher SHR than proposed.
- 3) GSECL has cited deteriorating coal quality and aging units as the reasons to maintain the SHR based on the actuals of FY 2022-23, or the currently approved SHR, whichever is higher.

Analysis and Decision:

- 5.6.2 Regarding GIPCL's submission, it is observed that its generating station's operating parameters are not governed by GERC's MYT regulatory framework, therefore, need not be considered at this stage.
- 5.6.3 Regarding TPL's submission, it is observed that while determining the GSHR, the historical performance of the specific units of the generating station needs to be considered and performance of similar units of other generating stations may not be comparable for many reasons. In case of TPL's generating station, TPL has claimed, and the Commission has allowed significant additional capital expenditure in the past



years for up rating and modernisation of the stations with the aim of improving their operating parameters including GSHR. Therefore, TPL's argument is self-contradictory and sans any merit. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

- 5.6.4 Further, the Commission in its draft GERC MYT Regulations, 2023 had proposed to link the Gross Station Heat Rate of new generating stations to be linked with the Design Heat Rate in line with the CERC (Terms and Conditions of Tariff) Regulations, 2019. While finalizing the MYT Regulations, it is decided to align the proposed clauses with the notified CERC (Terms and Conditions of Tariff) Regulations, 2024.

5.7 Auxiliary Energy Consumption

- 5.7.1 The Commission in Regulation 53.5 of the draft GERC MYT Regulations, 2023 has proposed the normative Auxiliary Energy Consumption for existing generating stations of GSECL, TPL-G and for new coal based generating stations as well as on account of ECS.

Stakeholders' submissions:

- 1) TPL proposed that the Auxiliary Energy Consumption (AUX) for all three AMGEN Units be set at 9.50% and GSECL requested to the Commission to set the auxiliary consumption for KLTPS-4 at 16% for the next control period as per the design parameters. GIPCL has requested that, for CFBC Power Plants, the AUX may be considered 3%-4% higher than conventional coal-based power plants considering that CFBC Plants require additional systems to operate the plant.

Analysis and Decision:

- 5.7.2 It is observed that the provision has been drafted after careful consideration of all the aspects and accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained. Regarding GIPCL submission, it is observed that its generating station's operating parameters are not governed by GERC's MYT regulatory framework, therefore, need not be considered at this stage.

5.8 Operation and Maintenance expenses for thermal generating stations

- 5.8.1 The Commission had proposed as follows:

"54 Operation and Maintenance expenses for thermal Generating Stations

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

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



March 31, 2022, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:

.....

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

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

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

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

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

Stakeholders' submissions:

- 1) TPL has proposed as follows:
 - a) Formula Change: Adjust the O&M formula to consider both business growth and increase in employee numbers.
 - b) Efficiency Factor: Remove the Efficiency Factor as it leads to reduced O&M expenses and amounts to "double counting" of efficiency gains.
 - c) Escalation Factors: Adopt a 60:40 CPI:WPI composite index for overall O&M Expense, without differentiating between government and private entities.
 - d) Additional Expenses: Factor in stringent norms from the MoP Rules and consider additional O&M expenses for smart meters on par with Govt Discoms.
- 2) GSECL suggested that the approved O&M expenses for FY 2023-24 be adjusted using a suitable escalation factor for determining expenses to cover addition employee expenses coupled with 7th Pay Commission for FY 2024-25 & also requests the same factor should apply for subsequent years in the control period.
- 3) GIPCL requested for special treatment for O&M expenses to CFBC lignite power plants



which are burning low grade locally available fuel and complying with prevalent stringent environment norms. Further requested Commission to review WPI and CPI usage in formula as WPI and CPI variation doesn't faithfully represent the variation in actual cost of products and services for thermal power plants.

- 4) CRISIL suggested to have similar WPI:CPI ratio for state and public utilities to create level playing field.
- 5) CER, IIT Kanpur has suggested WE_{CPI} and WE_{WPI} may be differentiated for each of components of O&M expenses and the ratio $WE_{CPI} : WE_{WPI}$ should be lower for R&M and higher for employee expenses and A&G expenses.

Analysis and Decision:

- 5.8.2 It is observed that as per the proposed draft Regulations, the ratio of weightage between CPI and WPI for all generating stations shall be computed based on their respective actual O&M cost of last 10 true-up years after removing any abnormalities.
- 5.8.3 After consideration of the suggestions of the stakeholders and also considering the fact that now the new Control Period shall be applicable from April 01, 2025, it would be apt to consider the actual ten year period, immediately preceding the commencement of the finalized MYT Control Period of 2025-26 to 2029-30. Accordingly, the modified Regulation 54 and Regulation 56 are as follows:

“54 Operation and Maintenance expenses for thermal Generating Stations

54.1 Existing Generating Stations that achieved COD before April 01, 2025:

54.1.1 The Operation and Maintenance expenses excluding water charges and including insurance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten Years ending March 31, 2024 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, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2024;

Provided further that the escalation rate for FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly



Wholesale Price Index of the respective year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WECPI) weightage to the average yearly inflation derived based on the monthly Consumer Price Index (CPI) for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

54.1.2 *The Operation and Maintenance expenses for nth year of the Control Period shall be determined based on the formula shown below:*

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

Where,

R&M_n –Repair and Maintenance Costs of Generating Station / Generating unit for the nth year;

EMP_n –Employee Cost of Generating Station / Generating unit for the nth year;

A&G_n –Administrative and General Costs of Generating Station / Generating unit for the nth year;

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

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

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

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

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

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2024) ending March 31, 2024 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

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

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

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

Provided that for first year of control period EMP_{n-1} and A&G_{n-1} shall mean



Employee and A&G expenses of the year after the base year (FY 2023-24) i.e. FY 2024-25, as derived using the escalation rate for FY 2024-25 as mentioned below;

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

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

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

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

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

Note: Source for CPI and WPI calculation as under:

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

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

Provided further that the escalation rate for FY 2024-25 and for the complete control period i.e. FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2024 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2024 for Consumer Price Index (CPI):

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

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



prudence check.

Note: For Generating Stations, $WE_{CPI}:WE_{WPI}$ is to be considered as per actual O&M cost of last 10 true-up years after removing any abnormalities.

- (a) O&M expenses shall be allowed on normative basis and shall be true-up only to the account of variation in Wholesale Price Index and Consumer Price Index.
- (b) 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.
- (c) Any variation in actual audited O&M expenses, subject to prudence check, and normative O&M cost excluding any abnormal expenses or wage revision shall be subject to the sharing of efficiency gains or losses as per framework specified in this Regulations.
- (d) 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.
- (e) For the purpose of estimation, the same Index Escn value as derived for FY 2025-26 shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values of the WPI and CPI over past ten financial years including True-up year.

54.2 New Generating Stations achieving COD post April 01, 2025:

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

54.3 The operation and maintenance expenses on account of Emission Control System in coal or lignite based thermal generating station shall be 2% of the admitted capital expenditure (excluding interest during construction) as on its date of commercial operation, which shall be escalated annually @3.5% during the Control Period ending on 31st March 2030:



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

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

“56 Operation and Maintenance Expenses for Hydro Generating Stations

56.1 For Existing Stations:

56.1.1 *The Operation and Maintenance expenses excluding water charges and including insurance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten Years ending March 31, 2024 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, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2024;

Provided further that the escalation rate for FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.

56.1.2 *The Operation and Maintenance expenses for nth year of the Control Period shall be determined based on the formula shown below:*

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

Where,

R&M_n –Repair and Maintenance Costs of Generating Station / Generating unit for the nth year;

EMP_n –Employee Cost of Generating Station / Generating unit for the nth year;

A&G_n –Administrative and General Costs of Generating Station / Generating unit for the nth year;

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



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

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

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

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

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on April 01, 2024) ending March 31, 2024 approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

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

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

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

Provided that for first year of control period EMP_{n-1} and A&G_{n-1} shall mean Employee and A&G expenses of the year after the base year (FY 2023-24) i.e. FY 2024-25, as derived using the escalation rate for FY 2024-25 as mentioned below;

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

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

Whereby,

WE_{CPI}: Weightage of CPI Index and;

WE_{WPI}: Weightage of WPI Index;

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

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

Note: Source for CPI and WPI calculation as under:

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

Consumer Price Index for Industrial Workers (all India) as per Labour Bureau,



Government of India {Base Year: 2001=100}

Provided further that the escalation rate for FY 2024-25 and for the complete control period i.e. FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30 shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2024 for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending March 31, 2024 for Consumer Price Index (CPI):

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

Note:

- (a) For Hydro based generating stations, $WE_{CPI}:WE_{WPI}$ is to be considered as per actual O&M cost of last 10 true-up years after removing any abnormalities.
- (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 Escn value as derived for FY 2025-26 shall be used for all years of the Control Period. However, at the time of true-up of any particular year the Commission will consider the actual values of the WPI and CPI over past ten years including True-up year.

56.2 For New Stations:

- (a) O&M expenses for the first year of operation will be 2% of the original project cost (inclusive of consumer contribution/Grant/subsidy component)



on pro rata basis from the COD (excluding cost of rehabilitation and resettlement works).

(b) The O&M expenses for each subsequent year will be determined by escalating the base expenses determined above, at the escalation rate equal to 'Index Esc' specified in Regulation 56.1.2 of these Regulations."

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

5.9.1 Regulation 57 of the draft GERC Regulations, 2023 outlines the computation and payment framework for Annual Capacity Charges and Energy Charges applicable to Thermal Generating Stations, focusing on fair cost recovery while incentivizing efficiency and reliability.

Stakeholders' submissions:

- 1) As regards to provision under regulation 57.1 regarding computation & recovery of the capacity charges of thermal generating stations under two segments of the year, i.e. High Demand Season & Low Demand Season and also within each season in two parts viz. Peak & Off-peak hours, GSECL has submitted that, in the State like Gujarat the high demand season remains for about 08 – 09 months due to geographical location & atmosphere pattern. In view of this, GSECL has proposed that the existing methodology of computing capacity charges for the whole year without dividing into segments / seasons may be continued.
- 2) Further, GSECL requested that they have a long-term fuel supply agreement with SECL and receive coal from distant mines via rail. Given the rising prices of imported coal and potential issues like reduced calorific value, carrying cost, and fund blockage when keeping large coal stocks, GSECL believes that the proposed penalties for not maintaining coal stocks would unfairly elevate generation costs. As such, GSECL requested the removal of provisions in Draft Regulations 57.5, 57.6, & 57.7 related to penalties for coal stock non-maintenance.
- 3) GIPCL has requested that Power Plants with captive mines may be exempted from reduction of fixed charges based on normative availability since captive lignite production is sometimes disrupted due to geological issues in the Mines which is an uncontrollable factor. Further, GIPCL requested to review clause 57.15 In the light of recent MOP order wherein blending imported coal up to a specified percentage has been allowed without the need to obtain prior permission of the PPA beneficiaries. This is to ensure timely import of coal during the peak demand season to offset shortage of domestic fuel.



Analysis and Decision:

- 5.9.2 It is observed that the implementation of differential capacity charges during the Peak / Off-Peak Mechanism would promote discipline in the generators and thus promote higher generation during peak hours. Accordingly, it is
- 5.9.3 It is further observed that in the draft GERC MYT Regulations, 2023, clauses for “Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations, in line with the CERC Staff Paper, effecting additional penalty by way of reduction in fixed charges due to shortfall in Normative Availability for non-maintenance of coal stock on quarterly basis. It was observed that.
- 5.9.4 Regarding the Regulations pertaining to penalties for not maintaining the coal stock, which were in line with CERC's staff paper on Methodology for Computing “Deterrent Charges” for maintaining lower coal stock by coal based thermal generating stations, it was observed that while finalizing its Tariff Regulations for 2024-29 Control Period, the CERC has not given effect to this penalty clause. Consider the same as well as submissions made by the stakeholders in the matter, the Commission has decided not to apply the State's thermal generating stations, and thus, the relevant clauses, i.e. last proviso to Regulation 38.1.1 and clauses 57.6 to 57.9 of the draft GERC MYT Regulations, 2023 have been dropped.
- 5.9.5 In light of the above considerations and considering the suggestions from the stakeholders and MoP's revised policy on 'Biomass utilisation for power generation through co-firing in coal based power plant', Regulation 57 for “Computation and Payment of Annual Capacity Charges and Energy Charges for Thermal Generating Stations” is modified as follows:

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

Capacity Charges

57.1 *The fixed cost of a thermal generating station shall be computed on annual basis based on the norms specified under these regulations and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station. The capacity charge for a calendar month shall be recovered in two parts viz., Capacity Charge for Peak Hours of the month and Capacity Charge for Off-Peak Hours of the month as follows:*

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



Where,

$$CCp_1 = \{0.20 \times AFC\} \times (1/12) \times (PAFM_{p_1}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/12)\}$$

$$CCp_2 = \{0.20 \times AFC\} \times (1/6) \times (PAFM_{p_2}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/6)\} - CCp_1$$

$$CCp_3 = \{0.20 \times AFC\} \times (1/4) \times (PAFM_{p_3}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/4)\} - (CCp_1 + CCp_2)$$

$$CCp_4 = \{0.20 \times AFC\} \times (1/3) \times (PAFM_{p_4}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/3)\} - (CCp_1 + CCp_2 + CCp_3)$$

$$CCp_5 = \{0.20 \times AFC\} \times (5/12) \times (PAFM_{p_5}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (5/12)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4)$$

$$CCp_6 = \{0.20 \times AFC\} \times (1/2) \times (PAFM_{p_6}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (1/2)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5)$$

$$CCp_7 = \{0.20 \times AFC\} \times (7/12) \times (PAFM_{p_7}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (7/12)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6)$$

$$CCp_8 = \{0.20 \times AFC\} \times (2/3) \times (PAFM_{p_8}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (2/3)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7)$$

$$CCp_9 = \{0.20 \times AFC\} \times (3/4) \times (PAFM_{p_9}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (3/4)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 + CCp_8)$$

$$CCp_{10} = \{0.20 \times AFC\} \times (5/6) \times (PAFM_{p_{10}}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (5/6)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 + CCp_8 + CCp_9)$$

$$CCp_{11} = \{0.20 \times AFC\} \times (11/12) \times (PAFM_{p_{11}}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC) \times (11/12)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 + CCp_8 + CCp_9 + CCp_{10})$$

$$CCp_{12} = \{0.20 \times AFC\} \times (PAFM_{p_{12}}/NAPAF) \text{ subject to ceiling of } (0.20 \times AFC)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 +$$



$$CCp_8 + CCp_9 + CCp_{10} + CCp_{11}$$

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

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

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

$$CCop_4 = \{0.80 \times AFC\} \times (1/3) \times (PAFMop_4/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (1/3)\} - (CCop_1 + CCop_2 + CCop_3)$$

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

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

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

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

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

$$CCop_{10} = \{0.80 \times AFC\} \times (5/6) \times (PAFMop_{10}/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (5/6)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 + CCp_8 + CCp_9)$$

$$CCop_{11} = \{0.80 \times AFC\} \times (11/12) \times (PAFMop_{11}/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) \times (11/12)\} - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 + CCp_8 + CCp_9 + CCp_{10})$$



$$CCop_{12} = \{0.80 \times AFC\} \times (PAFM_{p12}/NAPAF) \text{ subject to ceiling of } (0.80 \times AFC) - (CCp_1 + CCp_2 + CCp_3 + CCp_4 + CCp_5 + CCp_6 + CCp_7 + CCp_8 + CCp_9 + CCp_{10} + CCp_{11})$$

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

Where,

CCn= Capacity Charge for the Month;

CCp= Capacity Charge for the Peak Hours of the Month;

CCop= Capacity Charge for the Off-Peak Hours of the Month;

CCpn= Capacity Charge for the Peak Hours of nth Month;

CCopn= Capacity Charge for the Off-Peak of nth Month;

AFC = Annual Fixed Cost;

PAFMpn = Plant Availability Factor achieved during Peak Hours upto the end of nth Month;

PAFMopn = Plant Availability Factor achieved during Off-Peak Hours upto the end of nth Month;

NAPAF= Normative Annual Plant Availability Factor.

57.2 Normative Plant Availability Factor for “Peak” and “Off-Peak” Hours in a month shall be equivalent to the NAPAF specified in Regulations 53.1 of these Regulations. The number of hours of “Peak” and “Off-Peak” periods during a day shall be four and twenty respectively.

57.3 The hours of Peak and Off-Peak periods during a day shall be declared by the SLDC at least a week in advance:

Provided that the SLDC, after duly considering the comments of the concerned stakeholders, shall declare Peak Hours in such a way as to coincide with the Peak Hours of the State.

57.4 The shortfall in recovery of Capacity Charge for cumulative Off-Peak Hours derived based on NAPAF, shall be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Peak Hours:



Provided further that within a Season, the shortfall in recovery of Capacity Charge for cumulative Peak Hours derived based on NAPAF, shall not be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Off-Peak Hours:

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

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

57.5 The Plant Availability Factor for a Month (PAFM) shall be computed in accordance with the following formula:

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

Where;

AUX_n = Normative auxiliary energy consumption as a percentage of gross energy generation;

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

DC_i = Declared capacity (in ex-bus MW) for the ith day of the month as certified by the Gujarat SLDC after the day is over.

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

N = Number of days in the month

....

57.8 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 where biomass fuel is used for blending with coal, the landed cost of biomass fuel shall be worked out based on the delivered cost of biomass at the unloading point of the generating station, inclusive of taxes and duties as applicable:

Provided also that the energy charge rate of the blended fuel shall be worked out considering consumption of biomass based on blending ratio as specified by Authority or actual consumption of biomass, whichever is lower:

Provided also that the Generating Company may opt for higher blending ratio subject to techno-economic viability and the benefits in terms of lower tariff being entirely passed through to the beneficiaries, and loss, if any, being entirely borne by the Generating Company:

Provided further that the 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.”

5.10 Energy Charges

5.10.1 Considering the recent clarification issued by the Ministry of Power, Government of India, regarding 'Guidelines for operationalizing optimum utilization of generating stations as per the requirement in the Electricity Grid'. the Commission has added clause 57.15 as follows:

“57.15 Generating company shall offer the un-requisitioned surplus power in the power market, in accordance with the applicable provisions of the Tariff Policy, 2016 and MoP’s Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, as amended from time to time.”

5.11 Compensation in relation to operation on account of backing down

5.11.1 The Commission has proposed as follows:

“63 Compensation in relation to operation on account of backing down

63.1 *In case a Generating Station or Unit is instructed for backing down as per direction given by SLDC on account of grid security or due to the lower schedule given by the Beneficiaries, the impact of the same on any of the operational parameters such as Gross Station Heat Rate, Auxiliary consumption and Secondary Fuel Oil*



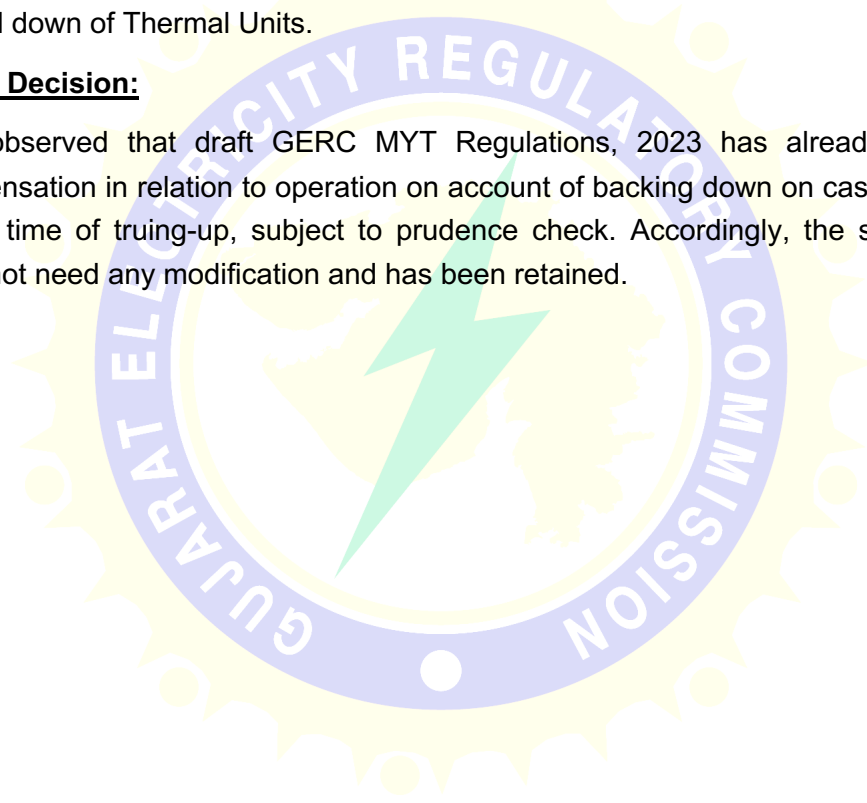
Consumption, may be considered by the Commission on case to case basis at time of truing up, subject to prudence check.”

Stakeholders’ submissions:

- 1) SLDC suggested adding clauses from CEA, CERC regulations including from Indian Electricity Grid Code (IEGC) regarding the operation of coal, lignite, and gas-based generating stations, especially concerning station heat rate degradation, auxiliary energy consumption degradation, compensation, and reconciliation. These clauses provide guidelines for compensation based on various operational parameters.
- 2) GIPCL requested to specify adequate compensation for deterioration in operating parameters like Station Heat Rate and Aux consumption on account of frequent ramping up and down of Thermal Units.

Analysis and Decision:

5.11.2 It is observed that draft GERC MYT Regulations, 2023 has already provided for compensation in relation to operation on account of backing down on case to case basis at the time of truing-up, subject to prudence check. Accordingly, the said Regulation does not need any modification and has been retained.





6 INTRA-STATE TRANSMISSION

6.1 Applicability

6.1.1 The Commission had proposed as follows:

“64 Applicability

...

64.2 For InSTS Projects under Section 63 of the Act:

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

...”

Stakeholders’ submissions:

- 1) GETCO requested to revise the threshold limit for intra state transmission projects selected through tariff based competitive bidding route to Rs 250 crores instead on Rs 100 Crores.

Analysis and Decision:

6.1.2 A comparative analysis of TBCB threshold limits across various states, reveals a spectrum of predefined limits ranging from Rs. 45 crores to Rs. 500 crores. This diversity underscores the unique infrastructural, geographical, and economic contexts of each state, necessitating a tailored threshold parameter.

Sr. No.	States	TBCB Threshold limit
1	Himachal Pradesh	INR 45 Cr.
2	Uttarakhand	INR 100 Cr.
3	Haryana	INR 100 Cr.
4	J&K	INR 100 Cr.
5	Ladakh	INR 100 Cr.



Sr. No.	States	TBCB Threshold limit
6	Assam	INR 100 Cr.
7	Bihar	INR 100 Cr.
8	Odisha	INR 100 Cr
9	Jharkhand	INR 175 Cr.
10	Madhya Pradesh	INR 250 Cr.
11	Rajasthan	INR 250 Cr.
12	Maharashtra	INR 500 Cr.

Considering the stakeholder's submission and above analysis, the threshold limit is increased and fixed at Rs. 250Crore and accordingly the Regulation 64.2.1 is amended as follows: "64.2.1 All new and augmentation of Intra-State Transmission projects of 220 kV & above voltage level (including associated equipment of downstream voltage level) or having estimated cost excluding land cost of more than Rs. **250 Crores**, being part of the STU Transmission Plan, shall be implemented through Tariff Based Competitive Bidding (TBCB) in accordance with the guidelines issued under Section 63 of the Act and any deviation from the guidelines should have prior approval of the Commission. The tariff of such Intra-State Transmission projects shall be discovered under Section 63 of the Act:

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

- (a) *Intra-State Transmission projects of strategic importance or works required for catering to an urgent situation, where proposal of such importance or urgency is supported by the recommendation of the State Government;*
- (b) *Deposit works, whose funds are accounted for under consumer contribution;*
- (c) *Small schemes such as LILO lines, whether for the purpose of a city bypass or otherwise, and entailing a cost not exceeding Rs. 250 Crores. However, after completion of project, if it is found that the capital*



cost incurred has exceeded the ceiling limit of Rs 250 Crores, then the Commission may decide not to pass such excess amount under Regulated Tariff and direct the Transmission Licensee to bear such excess amount through its own reserve/cost.

....”

6.2 Capital Investment Plan

6.2.1 Regulations 66 aims to ensure that Transmission Licensees maintain a strategic, transparent, and efficient approach to infrastructure investment, leading to reliable and quality power supply, and integration of renewable resources.

Stakeholders’ submissions:

- 1) FOKIA and FGI requested to address variations in approved CAPEX and incurred CAPEX for lines and substations, as approved amounts are not utilized voltage system-wise, leading to costs overruns. FOKIA and FGI also requests to disallow excessive CAPEX incurred for 66 kV System and establish stringent norms for capacity augmentation of S/S & Tr. lines based on substation utilisation factor.

Analysis and Decision:

6.2.2 It is observed that the proposed Capital Investment Approval Framework entails in-principle approval of Detailed Project Reports (DPR) and mandates the submission of regular progress reports on the ongoing capital investment schemes, aiming to reinforce accountability, tighten the scrutiny on time / cost overruns, if any, and ensure that any additional cost approvals are granted based on stringent evaluation criteria and demonstrable benefits to all stakeholders. This will discourage complacency and promote fiscal and operational efficiency among utilities. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

6.3 Norms for Operation

6.3.1 Regulation 67 sets forth stringent operational standards for transmission systems, underscoring the critical importance of maintaining high availability levels to ensure stability, reliability, and efficiency in power transmission.

Stakeholders’ submissions:

- 1) GETCO requested to retain the target availability at 98% for full recovery of fixed cost in line with the existing provision of MYT Regulation, 2016.

Analysis and Decision:

6.3.2 It is observed that a robust transmission system requires transmission availability above



99%-99.50%. As GETCO itself has been consistently achieving transmission availability in excess of 99%, there is little merit in continuing with target availability for full recovery of cost at 98% level, which was set in 2016. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

6.4 Operation and Maintenance expenses

6.4.1 Regulation 69 outlines the approach to calculating and regulating the Operation and Maintenance (O&M) expenses for Transmission Licensees. The methodology focuses on standardizing O&M costs based on historical data, ensuring fairness, and promoting efficiency in operations.

Stakeholders' submissions:

1) GETCO Submitted:

- Normative O&M Expense: Adopt the escalation factor of 10% instead of opting for the CPI & WPI linked indexation mechanism in this COVID impacted scenario where the inflationary pressure continues to mount.
- Allowing terminal liabilities and other onetime expenses separately: Amend Regulation 69.2 to include these expenses (terminal liabilities, unforeseen expenses on account of calamities/ disasters/ resilience costs, and onetime expenses including but not limited to extraordinary or exceptional expenses) over and above the normative O&M Expense as deemed appropriate.

Analysis and Decision:

6.4.2 It is observed that the provision has been drafted after careful consideration of all the aspects and accordingly, the draft GERC MYT Regulations, 2023 does not need any modification on this account.

6.5 Contribution to contingency reserve:

6.5.1 Regulation 70 outlines directives for Transmission Licensees concerning the appropriation, investment, and utilization of a Contingency Reserve. This reserve is designed to enhance financial prudence and resilience against unforeseen adversities.

Stakeholders' submissions:

- 1) GSECL submitted that in the existing MYT Regulations 2016, transmission licensees can allocate up to 0.5% of the initial fixed assets' cost annually to a Contingency Reserve for unexpected events like natural disasters, replacement costs beyond regular maintenance, legal compensations without other provisions. GSECL proposed that generation companies should also have this provision to manage unforeseen situations.



Analysis and Decision:

6.5.2 It is observed that historically contingency reserve has been allowed to transmission and distribution licensees only and not been considered for generating companies. There is no sufficient justification as to why it should be introduced for generating stations now. Therefore, the draft GERC MYT Regulations, 2023 does not need any modification on this account.

6.6 Non-Tariff Income

6.6.1 Regulation 71 delineates the handling of Non-Tariff Income in the financial framework of Transmission Licensees. It emphasizes the importance of such income in reducing the overall revenue requirement, thereby influencing the transmission charges levied.

Stakeholders' submissions:

- 1) GETCO requested to allow sharing of income in 50:50 ratio in line with the CERC MYT Regulations, 2019 and also hinted that Transmission Utility will be at loss as Income tax paid on the NTI they will not be able to recover, as per the new regulation ROE will be grossed up with tax rate to cover for income tax.

Analysis and Decision:

6.6.2 It is observed that the proposed provision of deducting Non-Tariff Income from the Aggregate Revenue Requirement in determining annual transmission charges of the Transmission Licensee is consistent with the existing practice and also the fact that such income is derived from the assets and/or resources pertaining to licensed activities. Further, the interest/dividend earned from investments made out of Return on Equity corresponding to the regulated business of the Transmission Licensee has already been excluded from the ambit of the Non-Tariff Income. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.



7 SLDC

7.1 Non-Tariff Income

7.1.1 The Commission has proposed as follows:

“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.

...”

Stakeholders’ submissions:

- 1) SLDC has suggested to not subtract the Income from Open Access Charges and Non-Tariff Income from SLDC's tariff but transfer them to the LDC Development Fund.

Analysis and Decision:

7.1.2 It is observed that the proposed provision of deducting Income from Open Access Charges and Non-Tariff Income from the SLDC’s tariff is consistent with the existing practice in the State as well as other State Regulators. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.

7.2 Determination of SLDC Fees and Charges

7.2.1 The Commission has proposed as follows:

“86 Determination of SLDC Fees and Charges

...

*86.3 SLDC Fees and Charges along with Grid Connection fees shall be determined by the Commission on the basis of application made by SLDC, for determination Fees and Charges, in accordance with **Chapter 2** of these Regulations.”*

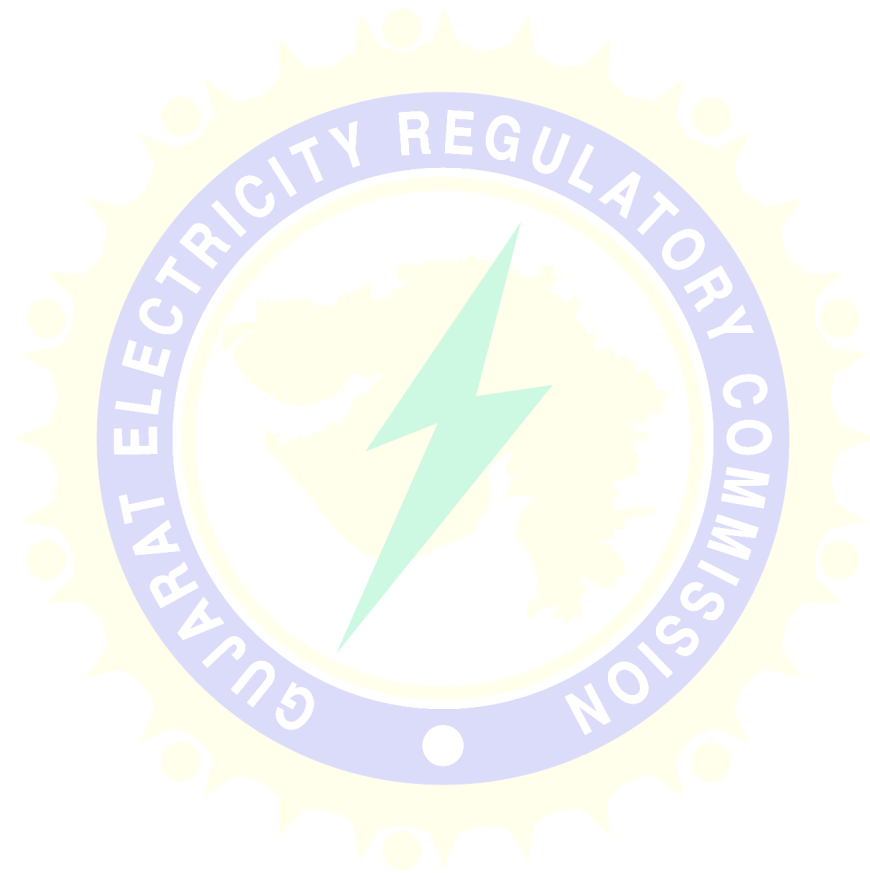
Stakeholders’ submissions:

- 1) SLDC requested Commission to allow SLDC to recover Grid Connection/Registration Charges as per CERC’s (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019. These charges include one-time registration fees for distribution licensees, inter-state transmission licensees, generating companies based on installed capacity, and inter-state trading licensees, sellers, and buyers.



Analysis and Decision:

7.2.2 It is observed that that recovery of grid connection or registration charges shall be governed by applicable CERC Regulations and the same are not governed by GERC MYT Regulations. Accordingly, the draft GERC MYT Regulations, 2023 does not need any modification and has been retained.





8 DISTRIBUTION - WIRE BUSINESS AND RETAIL SUPPLY BUSINESS

8.1 Operation and Maintenance expenses

8.1.1 The Commission in Regulation 92 and Regulation 104 of Draft GERC MYT Regulations, 2023 has proposed the methodology for calculation of O&M expenses for Distribution Wires Business and Retail Supply Business.

Stakeholders' submissions:

- 1) MUL has suggested to link Operation & Maintenance Expenses with Gross Fixed Asset or Sales of last three years in percentage terms of actual expense instead of deriving the same on the basis of average of actual audited Operation and Maintenance expenses for the past ten years.
- 2) GIFT PCL has suggested to consider moving average of last 5 years (WPI & CPI) shall be considered for escalation of O&M expenses instead of last 10 years. GIFT PCL has further submitted that separately classifying the ratio weightage between CPI and WPI for state government owned distribution licensee and other distribution licensees is discriminatory and against the principles of Electricity Act, 2003.
- 3) GUVNL has requested as follows:
 - a) to consider more realistic norms for allowing year on year increase in O&M expenses as the new escalation factor is working out to be 5.40% per annum vis-à-vis 5.72% as per existing Regulations;
 - b) to consider the weightage of fuel and power component in WPI index which is only around 13.15%;
 - c) to allow increase in Employee cost due to Pay Revision, Dearness Allowance, and Annual Increment as Uncontrollable Factor.

Analysis and Decision:

8.1.2 It is observed that as per the proposed draft Regulations, the ratio of weightage between CPI and WPI for all Distribution Licensees shall be computed based on their respective actual O&M cost of last 10 true-up years after removing any abnormalities.

8.1.3 After consideration of the suggestions of the stakeholders and also considering the fact that now the new Control Period shall be applicable from April 01, 2025, it would be apt to consider the actual 10 year period immediately preceding the commencement of the finalized MYT Control Period of 2025-26 to 2029-30. Accordingly, the modified Regulation 92 and Regulation 104 are as follows:

“92 Operation and Maintenance expenses:



- 92.1 Operation and Maintenance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten years ending **March 31, 2024**, 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, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24**, to arrive at the Operation and Maintenance expenses for the base year ending March 31, 2024;*

*Provided further that the escalation rate for **FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24**, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.*

- 92.2 Operation and Maintenance expenses for n th year of the Control Period shall be determined based on the formula shown below:

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

Where,

$R\&M_n$ –Repair and Maintenance Costs of Distribution Wire Business for the n th year;

EMP_n –Employee Cost of Distribution Wire Business for the n th year;

$A\&G_n$ –Administrative and General Costs of Distribution Wire Business for the n th year;

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

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

- 92.3 It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be



computed in the manner as specified below:

(i) $R\&M_n = K * GFA * (1 + Index Escn)$

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

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on **April 01, 2024**) ending **March 31, 2024** approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

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

EMP_{n-1} - Employee Cost of Distribution Wire Business for the immediately preceding year;

$A\&G_{n-1}$ - A&G of Distribution Wire Business for the immediately preceding year;

Provided that for first year of control period EMP_{n-1} and $A\&G_{n-1}$ shall mean Employee and A&G expenses of the year after the base year (**FY 2023-24**) i.e. **FY 2024-25**, as derived using the escalation rate for **FY 2024-25** as mentioned below;

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

$$Index Escn = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;

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

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

Note: Source for CPI and WPI calculation as under:

Wholesale Price Index numbers as per Office of Economic Advisor, Ministry of



Commerce & Industry, Government of India {Base Year: 2011-12 Series};

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

Provided further that the escalation rate for **FY 2024-25** and for the complete control period i.e. **FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30** shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending **March 31, 2024** for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending **March 31, 2024** for Consumer Price Index (CPI):

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

Note:-

- (a) For all Distribution Licensees, $WE_{CPI}:WE_{WPI}$ is to be considered as per actual O&M cost of last 10 true-up years after removing any abnormalities.
- (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) 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.



- (f) *For the purpose of estimation, the same Index Escn value as derived for **FY 2025-26** shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values of the WPI and CPI over past ten years including True-up year.”*

“104 Operation and Maintenance expenses:

- 104.1 *The Operation and Maintenance shall be derived on the basis of the average of the actual audited Operation and Maintenance expenses for the past ten Years ending **March 31, 2024**, excluding abnormal Operation and Maintenance expenses, if any, subject to prudence check by the Commission:*

*Provided that average of such Operation and Maintenance expenses shall be considered as Operation and Maintenance expenses for the Year ended **March 31, 2019**, and shall be escalated at the respective escalation rate for **FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24**, to arrive at the Operation and Maintenance expenses for the base year ending **March 31, 2024**;*

*Provided further that the escalation rate for **FY 2019-20, FY 2020-21, FY 2021-22, FY 2022-23 and FY 2023-24**, shall be computed by considering (WE_{WPI}) weightage to the average yearly inflation derived based on monthly Wholesale Price Index of the respective financial year as per the Office of Economic Advisor, Ministry of Commerce and Industry, Government of India and (WE_{CPI}) weightage to the average yearly inflation derived based on monthly Consumer Price Index for Industrial Workers (all-India) of the respective financial year as per the Labour Bureau, Government of India.*

- 104.2 *Operation and Maintenance expenses for nth year of the Control Period shall be determined based on the formula shown below:*

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

Where,

R&M_n –Repair and Maintenance Costs of Distribution Retail Supply Business for the nth year;

EMP_n –Employee Cost of Distribution Retail Supply Business for the nth year;

A&G_n –Administrative and General Costs of Distribution Retail Supply Business for the nth year;



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

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

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

(i) $R\&M_n = K * GFA * (1+Index Escn)$

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

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the Control Period. The value of 'K' will be calculated based on the R&M expenses and GFA for past ten years (or all available years in case of utilities operating for less than 10 years as on **April 01, 2024**) ending **March 31, 2024** approved by the Commission, subject to prudence check and any other factor considered relevant by the Commission;

'GFA' is the Opening balance of the gross fixed assets of the 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 the year after the base year (FY 2023-24) i.e. FY 2024-25, as derived using the escalation rate for FY 2024-25 as mentioned below;

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

$$Index Esc_n = WE_{CPI} * CPI_n + WE_{WPI} * WPI_n$$

Whereby,

WE_{CPI} : Weightage of CPI Index and;

WE_{WPI} : Weightage of WPI Index;



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

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

Note: Source for CPI and WPI calculation as under:

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

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

Provided further that the escalation rate for **FY 2024-25 and for the complete control period i.e. FY 2025-26, FY 2026-27, FY 2027-28, FY 2028-29 and FY 2029-30** shall be computed by considering (WE_{WPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending **March 31, 2024** for Wholesale Price Index (WPI) and (WE_{CPI}) weightage to the 10-year average of the yearly inflation of the last ten years ending **March 31, 2024** Consumer Price Index (CPI).

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

Note:

- (a) For all Distribution Licensees with Retail Supply Business, $WE_{CPI}:WE_{WPI}$ is to be considered as per actual O&M cost of last 10 true-up years after removing any abnormalities.
- (b) 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.
- (c) 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) *In the case of a Distribution Licensee whose tariff is yet to be determined by the Commission till the coming into force of these Regulations, the Commission may determine the Operation and Maintenance expenses on a case to case basis.*
- (f) *For the purpose of estimation, the same Index Escn value as derived for **FY 2025-26** shall be used for all years of the Control Period. However, at the time of true-up of any particular year, the Commission will consider the actual values of the WPI and CPI over past ten years including True-up year.”*

8.2 Contribution to contingency reserves

8.2.1 The Commission in Regulation 93 of Draft GERC MYT Regulations, 2023 has defined charges against which contingency reserve shall be drawn upon.

Stakeholders' submissions:

- 1) GUVNL has suggested that inadvertently clause 93.3 (i.e. compensation payable under any law for the time being in force and for which no other provision is made) which shall be included as (c) under clause 93.2 is defined as clause 93.3 creating ambiguity. Therefore, GUVNL has requested Commission to modify the said clause appropriately.

Analysis and Decision:

8.2.2 The inadvertent error has been corrected by mentioning Regulation 93.3 as clause (c) of Regulation 93.2 and Regulation 93.4 as Regulation 93.3.

8.3 Allocation Matrix

8.3.1 The Commission in Regulation 94 of Draft GERC MYT Regulations, 2023 has proposed that 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.

Stakeholders' submissions:

- 1) MUL has suggested to retain the apportionment between Wheeling Business and Retail Supply Business in accordance with the Allocation Matrix as per GERC (MYT) Regulations, 2016 instead of segregating the accounts.



- 2) GUVNL has requested that the ARR for wire business to be worked out considering all expenses excluding power purchase cost and not based on the allocation matrix proposed in the regulations.

Analysis and Decision:

- 8.3.2 As explained in the Explanatory Memorandum to the draft GERC MYT Regulations, 2023, the segregation of accounts of Distribution Wires Business and Retail Supply Business is essential to move towards greater competition in the retail supply business, as well as determination of true wheeling charges.
- 8.3.3 After consideration of the suggestions of the stakeholders, Regulation 94 has been revised as follows:

“94 Allocation Matrix

94.1 *The Wheeling Charges of the Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Distribution Wires Business. Every Distribution Licensee shall maintain segregated accounting records for the Distribution Wires Business and Retail Supply Business by the third year of Control Period.*

Provided that Distribution Licensee shall be penalised as per Regulation 35.12 of these Regulations, in case it fails to maintain separate books of accounts for the Distribution Wire Business and Retail Supply Business from the third year of Control Period:

Provided further that the guidelines specified by the Commission as per Annexure V to these Regulations to be followed:

Provided further that the Commission may consider extending the timeline based on reasonable justification submitted by the Utilities:

Provided further that in case complete accounting segregation has not been done between the Wheeling Business and Retail Supply Business, the Aggregate Revenue Requirement of the Distribution Licensee shall be apportioned between Wheeling Business and Retail Supply Business in accordance with the Allocation Matrix specified as follows:

.....”

8.4 Capital Investment Plan

- 8.4.1 The Commission in Regulation 95.1 of Draft GERC MYT Regulations, 2023 has proposed that 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.

- 8.4.2 The Commission in Regulation 106 of Draft GERC MYT Regulations, 2023 has proposed for submission of Capital Investment Plan along with the Guidelines for Capex Approval Framework for Retail Supply Business.

Stakeholders' submissions:

- 1) MUL has suggested that Capital Investment Plan should be retained as per GERC (MYT) Regulations, 2016.
- 2) With respect to Regulation 95, GIFT PCL has submitted that TBCB methodology is applicable for Transmission Business and not for Distribution Business. As power distribution business is considered in cost plus method, the same is covered in Section 62 of the Electricity Act-2003 but not in Section 63 of the Electricity Act-2003. Also, voltage level wise capping of capital investment projects is inappropriate.
- 3) With respect to Regulation 106, GIFT PCL has submitted that the existing methodology of capital expenditure framework shall be continued with and has quoted the APTEL's judgement in Appeal No. 84 of 2006 between Karnataka Power Transmission Corporation Limited Vs Karnataka Electricity Regulatory Commission that 'There is no parallel provision in Section 86 or any other provisions in the Electricity Act- 2003 which enable the Commission to regulate the investment approval for generation, transmission, distribution and supply of electricity within the State, and it is not as if it is the repository of entire power or authority to control the whole spectrum of Transmission or Distribution including financial management of utilities or it has the power to micromanage the affairs of the utilities.
- 4) GUVNL has submitted that as per existing process, necessary details of scheme wise capital expenditure are already submitted as a part of tariff proposal for in-principle approval and the same is verified by the Commission at the time of truing up. Further, considering that government schemes are defined along with set of procedures, milestones and methodology to be followed for availing benefits, introduction of 100 Crores capital investment ceiling for TBCB is not appropriate and it may be clarified that in case of Government schemes or any additional / new CAPEX on account of uncontrollable events such as natural calamities, cyclone, etc. shall be exempted from mandatory implementation of TBCB.

Analysis and Decision:

- 8.4.3 It is observed that while there is no practical difficulty in adopting the principles and methodology of TBCB in implementation of large size distribution network schemes and



accordingly determination of the wheeling ARR and charges recovery, however, in the interest of adopting a further simplified approach and till development of a robust capital investment approval framework, it is decided to modify the Regulation 95.1 as follows:

“95 Capital Investment Plan

95.1 *Distribution Licensee shall submit detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Multi-Year Aggregate Revenue Requirement for the entire Control Period:*

Provided that all new and augmentation capital investment projects involving voltage level above 33 kV, being part of the Distribution Licensee’s Capital Investment Plan, irrespective of their value, shall require in-principle approval in accordance with the Guidelines for in-principle clearance of proposed investment schemes as provided in Annexure III of these Regulations:

Provided further that procurement and implementation of all such capital investment projects involving voltage level above 33 kV shall be compulsorily undertaken through a transparent competitive bidding process, and same needs to be appropriately documented for review of the Commission.

Provided further that any deviation from the competitive bidding process as mandated above should have prior approval of the Commission.”

8.5 Income from Other Business

8.5.1 The Commission in Regulation 97.1 and 110.1 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“97 Income from Other Business

97.1 *Where Distribution Wires Business of Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to two-third of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in determining the wheeling charges of Distribution Wires Business of the Distribution Licensee:*



...”

“110 Income from Other Business

110.1 Where the Retail Supply Business of the Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to two-third of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the tariff from retail supply of electricity by the Distribution Licensee.”

Stakeholders’ submissions:

- 1) GIFT PCL and GUVNL has requested to keep the deduction amount to one-third of the revenues from Other Business as mentioned in GERC MYT Regulations, 2016 so as to encourage the Distribution Licensees to put extra efforts for optimum utilisation of its assets.
- 2) GUVNL has further submitted that increasing sharing of revenue from 1/3rd to 2/3rd will potentially lead to cross-subsidization, whereby revenues from discom's other business will further compensate wheeling consumers leading to subsidization in applicable wheeling charges and potentially burdening other consumers. Further, GUVNL has suggested that income sharing for other business shall be limited to income generated from use of distribution network and not from other income like dividend or interest earned on fixed deposit, etc.

Analysis and Decision:

8.5.2 It is observed that the provision has been drafted after careful consideration of all the aspects. Further, some of the SERCs deduct the entire income from other business from the ARR as against the proposed clause to deduct two-third of the revenues to incentivise and encourage distribution utilities to engage in other business activity. It is further clarified that income like dividend or interest earned on fixed deposit, etc. are already considered as Non-Tariff Income. Therefore, the draft Regulation 97 and 110 does not need any modification and accordingly, the said provision has been retained.

8.6 Determination of Wheeling Charges

8.6.1 The Commission in Regulation 98 of Draft GERC MYT Regulations, 2023 has proposed the methodology for determination of wheeling charges.

Stakeholders’ submissions:

- 1) GUVNL has requested that wheeling charges shall be allowed to be recovered based on kW capacity booked by the consumers instead of Rs/kWh to avoid tendency of



consumers to book higher capacity to secure open access and actually utilizing less than capacity booked.

Analysis and Decision:

8.6.2 It is observed that the 5th proviso to Regulation 91.1 of the draft GERC MYT Regulations, 2023 states that the Wheeling Charges may be denominated in terms of Rupees/kWh or Rupees/kVAh or Rupees/kW/month or Rupees/kVA/month, for the purpose of recovery from the Distribution System User, or any such denomination, as stipulated by the Commission from time to time. Thus, the Commission has already provided flexibility in the Regulations to determine the basis of recovery of wheeling charges and accordingly, no modification is required.

8.7 Cost of Power Generation/ Power Purchase

Stakeholders' submissions:

- 1) GIFT PCL has requested to incorporate the Regulations 94.5 of GERC MYT Regulations, 2016 on Cost of power generation/power purchase to ensure that cost of power from Generation Business is recovered by the Distribution Licensee.

Analysis and Decision:

8.7.1 It is observed that Regulations 101.1 already states that the Cost of own power generation /power purchase expenses including Inter-State Transmission Charges net of rebate on power purchase form part of the Aggregate Revenue Requirement of the Distribution Licensee and accordingly, no modification is required.

8.8 Component of Tariff

8.8.1 The Commission in Regulation 101 of Draft GERC MYT Regulations, 2023 has proposed as follows:

“101 Components of Tariff

101.1 Tariff for retail supply by a Distribution Licensee shall provide for recovery of the Aggregate Revenue Requirement of the Distribution Licensee for the financial year, as approved by the Commission and comprising the following:

- (a) Cost of own power generation /power purchase expenses including Inter-State Transmission Charges net of rebate on power purchase;*
- (b) Intra-State Transmission charges*
- (c) SLDC Fees & Charges;*
- (d) Depreciation;*
- (e) Interest and Finance Charges on Loan Capital & Return on Equity and/or Return on Capital Employed ;*
- (f) Interest on working capital and on consumer security deposits;*
- (g) Operation and Maintenance expenses;*



- (h) *Bad debts written off, if any;*
- (i) *Income Tax;*
- (j) *Balance Aggregate Revenue Requirement for Distribution Wires Business, as determined under **Chapter 7** of these Regulations, after deducting income from Wheeling Charges payable by Distribution System Users other than the retail consumers getting electricity supply from the same Distribution Licensee;*

minus:

- (k) *Non-Tariff Income;*
- (l) *Income from Other Business, to the extent specified in these Regulations;*
- (m) *Receipts on account of cross-subsidy surcharge;*
- (n) *Receipts on account of additional surcharge on charges for wheeling;*
- (o) *Revenue from Sale of Surplus Power (Other than to retail consumers):*
- ...

Stakeholders' submissions:

- 1) GUVNL has requested to either not pass on the rebate earned by the Licensee through better financial management as Commission has not considered any interest towards power purchase cost of Distribution Licensee or to consider power purchase cost equivalent to one month for working of interest on working capital.

Analysis and Decision:

8.8.2 It is observed that sufficient components have already been included in the normative working capital requirement, covering all genuine working capital requirements of the regulated business of a Distribution Licensee. Further, as the rebate on power purchase has not been considered in the ARR and is reduced it from the Power purchase cost instead of considering it as Non-tariff Income. Accordingly, no modification is retained in the said provision.

8.9 Bad debts written off

8.9.1 The Commission in Regulation 105 of Draft GERC MYT Regulations, 2023 proposed to true-up the bad debts written off in the Aggregate Revenue Requirement, based on the actual write-off of bad debts excluding DPC waived off, if any, up to a ceiling of 0.5% of sales revenue during the year, subject to prudence check.

Stakeholders' submissions:

- 1) MUL has requested to remove the ceiling of 0.5% of sales revenue.
- 2) GUVNL and MUL have requested that if the Commission decided to keep the capping then a proviso should be added that in case of non-recovery of dues by Distribution Licensee on account of NCLT proceedings, such dues shall be allowed as pass through on actual basis.



Analysis and Decision:

8.9.2 It is observed that the provision has been drafted after careful consideration of all the aspects. Therefore, the draft Regulation 105 does not need any modification and accordingly, the said provision has been retained.

8.10 Sales and Demand Forecast

8.10.1 The Commission in Regulation 107 of Draft GERC MYT Regulations, 2023 proposed as follows:

“107 Sales and Demand Forecast

107.1 Distribution Licensee shall make an assessment of demand (MW) during peak and off-peak period and energy requirement (MU) for each month of the ensuing year (Short term) and for next 5 (five) years (Long-term). The peak demand (MW) and energy sales (MU) shall be estimated for each tariff category, sub-category of consumers. The forecast shall be done based on load duration curve explicitly defining the base load and peak load in such a way that adequate unrestricted and uninterrupted (24x7) power supply can be ensured to all categories of consumers.

107.2 Distribution Licensee shall submit a forecast of the expected sales of electricity to each tariff category/sub-category and to each tariff slab within such tariff category/sub-category to the Commission for approval along with the Multi-Year Aggregate Revenue Requirement for the entire Control Period, as specified in these Regulations.

Provided that while estimating monthly demand and energy sales forecast, the Distribution Licensee(s) should carry out for at least three scenarios – Optimistic scenario, Business As Usual (BAU) scenario & Pessimistic scenario, duly taking into consideration various factors but not limited to the following:

- (a) Historical as well as current year data*
- (b) New consumer addition under various categories*
- (c) Change in Consumption Pattern*
- (d) Trends with respect to open access, captive consumption, migration behaviour of consumers, existing contract durations etc.*
- (e) Growth in the consumption of power intensive sectors*
- (f) Weather forecast and seasonal variations;*
- (g) Overall economic growth;*
- (h) Activities and Enable scenarios for load shifting such as solarisation of Agricultural connections and feeders under various schemes, etc.*
- (i) Projected efficiency gains due to implementation of T&D loss reduction*



initiatives and other improvement programmers;

(j) Energy Conservation and Energy Efficiency measures planned

(k) Likely impact of implementation of Demand Side Management (DSM)

(l) Increase in penetration consumption from Distributed Energy Resources viz. Rooftop Solar and Electric Mobility

107.3 The sales forecast shall be based on past data and reasonable assumptions regarding the future:

Provided that where the Commission has stipulated a methodology for forecasting sales to any particular tariff category, the Distribution Licensee shall incorporate such methodology in developing the sales forecast for such tariff category:

Provided further that Distribution Licensee shall undertake sales and demand forecast based on methods and tools including load research studies, advance statistical methods including multivariate regression analysis, partial end use method (PEUM), econometric methods, and also explore use of various IT applications, including Artificial Intelligence and Machine Learning (AI/ML) to improve accuracy.

107.4 The Commission shall examine the forecasts for their reasonableness based on growth in the number of consumers, pattern of consumption, losses and demand of electricity in previous years and anticipated growth in the next year and any other factor, which the Commission may consider relevant and approve. the sales forecast with such modifications as deemed fit. The Distribution Licensee(s) shall develop a robust database of all consumers with desired particulars regarding their demand to facilitate the forecasting process in accordance with the direction given by the Commission.

Provided that in the second year of the Control Period, Distribution Licensee shall also submit a detailed load research study, based on consumer, feeder and DT meter data as well as survey information on appliance usage etc., with consumer category wise load curves, for the remaining years of the Control Period.

Stakeholders' submissions:

- 1) FOKIA has suggested that in order to forecast the demand as per CEA's guidelines for Medium and long-term power demand forecast, tariff category wise actual energy consumption shall be submitted by the DISCOMs for the true-up year.
- 2) Considering the paucity of time and complexity involved in forecasting demand of DISCOMs, GUVNL has requested to retain the provision related to sales and demand



forecast in line with existing regulation. GUVNL has further requested to clarify if the demand / sales forecasting tool using AI / ML will be implemented at the time of filing for mid-term review of ARR and for implementation of provisions of clause 107.4, GUVNL has requested for an extension of 2 years after implementation of the government schemes such as RDSS, Smart Feeder Monitoring System, etc.

- 3) PEG has suggested that monthly forecasts should be provided for two years as part of the MYT and MTR filings and in addition, ten year demand and supply assessments shall be provided by the licensees with the MYT and MTR petitions. PEG has further suggested that the scenario based analysis as proposed in Regulation 107.2 should not be restricted to just monthly projections but should be extended to medium and long-term projections and the impact of time of day (ToD) tariffs on various consumer categories in load shifting should also be captured.

Analysis and Decision:

8.10.2 Considering the stakeholder's suggestions suitable modifications shall be made in the data formats to be filled by the Distribution Licensees. Further, in the wake of postponement of the year of implementation of the new MYT Control Period, and stakeholders' suggestions, Regulation 107 has been revised as follows:

"107 Sales and Demand Forecast

107.1 Distribution Licensee shall make an assessment of demand (MW) during peak and off-peak period and energy requirement (MU) for each month of the ensuing year (Short term) and for next 5 (five) years (Long-term). The peak demand (MW) and energy sales (MU) shall be estimated for each tariff category, sub-category of consumers. The forecast shall be done based on load duration curve explicitly defining the base load and peak load in such a way that adequate unrestricted and uninterrupted (24x7) power supply can be ensured to all categories of consumers.

107.2 Distribution Licensee shall submit a forecast of the expected sales of electricity to each tariff category/sub-category and to each tariff slab within such tariff category/sub-category to the Commission for approval along with the Multi-Year Aggregate Revenue Requirement for the entire Control Period, as specified in these Regulations.

*Provided that while estimating monthly, **annually and long-term (5 years)** demand and energy sales forecast, the Distribution Licensee(s) should carry out for at least three scenarios – Optimistic scenario, Business As Usual (BAU) scenario & Pessimistic scenario, duly taking into consideration various factors but not limited to the following:*



- (a) *Historical as well as current year data*
- (b) *New consumer addition under various categories*
- (c) *Change in Consumption Pattern, **on account of various factors including ToD tariff***
- (d) *Trends with respect to open access, captive consumption, migration behaviour of consumers, existing contract durations etc.*
- (e) *Growth in the consumption of power intensive sectors*
- (f) *Weather forecast and seasonal variations;*
- (g) *Overall economic growth;*
- (h) *Activities and Enable scenarios for load shifting such as solarisation of Agricultural connections and feeders under various schemes, etc.*
- (i) *Projected efficiency gains due to implementation of T&D loss reduction initiatives and other improvement programmers;*
- (j) *Energy Conservation and Energy Efficiency measures planned*
- (k) *Likely impact of implementation of Demand Side Management (DSM)*
- (l) *Increase in penetration consumption from Distributed Energy Resources viz. Rooftop Solar and Electric Mobility*

107.3 *The sales forecast shall be based on past data and reasonable assumptions regarding the future:*

Provided that where the Commission has stipulated a methodology for forecasting sales to any particular tariff category, the Distribution Licensee shall incorporate such methodology in developing the sales forecast for such tariff category:

Provided further that Distribution Licensee shall undertake sales and demand forecast based on methods and tools including load research studies, advance statistical methods including multivariate regression analysis, partial end use method (PEUM), econometric methods, and also explore use of various IT applications, including Artificial Intelligence and Machine Learning (AI/ML) to improve accuracy:

Provided further that the Distribution Licensee shall also submit a detailed load research study, based on consumer, feeder and DT meter data as well as survey information on appliance usage etc., with consumer category wise hourly load curves, for all years of the Control



Period along with the MYT Petition.

107.4 The Commission shall examine the forecasts for their reasonableness based on growth in the number of consumers, pattern of consumption, losses and demand of electricity in previous years and anticipated growth in the next year and any other factor, which the Commission may consider relevant and approve. the sales forecast with such modifications as deemed fit. The Distribution Licensee(s) shall develop a robust database of all consumers with desired particulars regarding their demand to facilitate the forecasting process in accordance with the direction given by the Commission.”

8.11 Power Procurement

8.11.1 The Commission in Regulation 108 of Draft GERC MYT Regulations, 2023 has proposed the guidelines for Power Procurement and submission of the plans to the Commission.

Stakeholders' submissions:

- 1) FOKIA and FGI have submitted that GUVNL has been purchasing power on behalf of all DISCOMs but the same is not regulated by the Commission. Further, the responsibility of developing the Resource Adequacy Plan is with the Distribution Licensee who has no say of their power purchase as GUVNL takes decision on their behalf. Therefore, FOKIA and FGI have suggested that the Commission may make provisions in the MYT Regulations authorizing GUVNL and making them answerable for power purchase and Resource Adequacy Plan on behalf of DISCOMs.
- 2) GIFT PCL has requested for approval of power procurement plan approved on case-to-case basis by considering the characteristics and demand of respective distribution licensee as it is neither technically and commercially feasible to have long term tie-up to meet load requirement of at least 75% or 85% due to market participants reluctant to execute long term PPA's for low volume. GIFT PCL has also requested that in case of extraordinary circumstances, if any short-term power requirement up to 3 months is required by distribution licensee and where in price is discovered through competitive bidding mechanism, the same to be granted deemed approval without seeking any prior or after approval.
- 3) GUVNL has submitted as follows:
 - a) With respect to clause 108.1.2, GUVNL has submitted that mandating DISCOM to invariably tie up power through competitive bidding process only which is not as per the provisions of National Tariff Policy 2016 read with guidelines issued by MOP, Gol. Moreover, APTEL in Appeal no. 106, 107 of 2009 & Appeal no. 88 of 2015 has



- held that utilities can procure power either through following procedures held under section 62 of Electricity Act 2003 or through competitive bidding under section 63 of the Act. Therefore, GUVNL has submitted that there is no prohibition for Commission to determine tariff under approved PPA in terms of section 62 read with section 86 (1) (b).
- b) With respect to clause 108.1.3, GUVNL has submitted that in case of Multi-State beneficiaries' project, the subject jurisdiction for approval /modification of PPA falls I the purview of CERC and accordingly, it may not be mandated to seek prior approval of the Commission as it will be governed as per the directives / judgement of CERC. Therefore, GUVNL has requested to modify the proviso such that, any agreement / arrangement entered into after issuance of these regulations shall come into effect only with the prior approval of the Commission.
 - c) With respect to clause 108.1.7, GUVNL has requested for exclusion of submission of impact on power procurement cost and tariff and the salient features as analysing the impact of each generator with smaller MW capacity w.r.t entire power procurement plan would not be appropriate and impactful for submission along with Petition for approval.
 - d) With respect to clause 108.2.2 and 108.5, GUVNL has requested to exempt the requirement of prior approval in case of short term power as the purchase of power from short term market is mainly to meet contingency / exigency requirement.
 - e) With respect to clause 108.2.3, GUVNL has requested to remove the provisions citing host of reason involved in variability of quantum of power off-take and associated costs.
 - f) With respect to clause 108.7.5, GUVNL has requested to consider the transmission losses as projected by the transmission company for computation of DISOCM Energy Balance.
 - g) With respect to clause 108.8.2, GUVNL has requested to modify the clause providing that expected power procurement plan shall be submitted on annual basis for the Control Period of the MYT Regulations.
- 4) PEG has suggested that the procurement plan shall be based on the energy forecasts conducted by the utilities as per Regulation 107 and shall clearly stipulate plans for meeting peak, base and intermediate load as well the requirement and procurement plan for Battery based energy storage and other storage options. PEG has further suggested that the Commission should clarify that the power procurement would be disallowed unless approved by the Commission under the relevant regulations MYT Regulations. PEG has further suggested to mandate DISCOMs to prepare short-term procurement



plans based on week-ahead, fortnight-ahead and seasonal forecasts to optimise costs.

Analysis and Decision:

- 8.11.2 It is observed that the draft GERC MYT Regulations, 2023 already consists of the provision directing Distribution Licensees to project the power purchase requirement, taking into consideration, the Resource Adequacy Guidelines issued by Ministry of Power, Government of India, its Long-term Discom Resource Adequacy Plan (LT-DRAP), as vetted by the Central Electricity Authority, etc. Further clarification on the same, if required may be sought from the Distribution Licensees during the Technical Validation Session and/or through additional information requirement.
- 8.11.3 With respect to granting deemed approval for purchasing power through competitive bidding mechanism for short-term power requirement, it is observed that the proposed clause 108.2.2 requires the Distribution Licensee to submit the details of the short-term arrangement within fifteen days from the date of entering into an agreement as long as it falls within the approved annual short term procurement plan.
- 8.11.4 With respect to clause 108.1.3, in case of Multi-State beneficiaries' project, it is clarified that the power allocated to the State of Gujarat by Ministry of Power shall be exempted from the requirement of prior approval from the Commission.
- 8.11.5 As for the remaining suggestions of the stakeholders, it is observed that Regulation 108 of the draft GERC MYT Regulations, 2023 is self-explanatory and does not need any modification and accordingly, the said provisions have been retained.

8.12 Distribution Loss

- 8.12.1 The Commission in Regulation 113 of Draft GERC MYT Regulations, 2023 proposed as follows:

“113 Distribution Losses

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

Provided that the Commission may stipulate a trajectory for distribution losses for the period from FY 2024-25 to FY 2028-29 in accordance with these Regulations, as part of the Order on the MYT Petition to be filed by the Distribution Licensee under Regulation 18 of these Regulations;

Provided further that while stipulating a trajectory for distribution losses as above, the Commission may take into consideration various factors including trajectory approved by Government of India or State Government under any Scheme;



Provided further that any variation between the actual level of distribution losses and the approved level shall be dealt with, as part of the Truing up exercise.”

Stakeholders’ submissions:

- 1) FOKIA has submitted that DISCOMs are having consumers catered by EHV and it does not entail any distribution losses and hence a change is required in the methodology for calculation of distribution losses wherein input energy by GETCO at 11kV periphery of DISCOM is considered. Further, FOKIA has suggested that DISCOM wise factual assessment by unmetered agriculture consumers should be carried out and till then only average metered agriculture consumption should be allowed as assessment of agriculture consumers for working out the losses.
- 2) CRISIL has suggested that the increasing quantum of Solar Roof Top installations needs to be analysed in terms of Distribution Losses Trajectory and RPO since the Distribution Utility is not actually sourcing, transmitting and distributing the electricity generated through Solar Roof top.

Analysis and Decision:

8.12.2 It is observed that while computing Distribution losses, energy flow at EHV level is excluded and input energy and energy sales at Distribution voltage levels only are considered. Further, the stakeholders’ comments are merely observation and doesn’t require any modification in the draft GERC MYT Regulations, 2023.

8.13 Fuel and Power Purchase Adjustment Surcharge (FPPAS)

8.13.1 The Commission in Regulation 115 of Draft GERC MYT Regulations, 2023 proposed as follows:

Stakeholders’ submissions:

- 1) CRISIL has requested for clarity on applicability of self-levy of FPPAS i.e. if the new methodology will have FPPPA as a percentage of the billed amount or whether the 5% threshold for automatic passthrough is 5% of the billed revenue or the category-wise ABR.
- 2) GUVNL has submitted that the FPPPA formula provided in the Electricity (Amendment) Rules, 2022 is to be made applicable only in case where the State Commission has not specified its own FPPPA formula. GUVNL has further submitted that under the proposed formula, there is no mention about pass through of legitimate cost of DISCOMs towards GUVNL trading margin and SLDC cost which is otherwise covered in the existing formula. Accordingly, in order to ensure simplicity and ease of implementation, GUVNL



has requested to continue with the existing formula prescribed by the Commission for computation of FPPPA charges.

Analysis and Decision:

8.13.2 It is observed that the proposed FPPPA computation methodology in Regulation 115 of the draft GERC MYT Regulations, 2023 shall have FPPPA as a percentage of energy charge rate for all categories except Agriculture where FPPPA as percentage of ABR is considered. Further, it is also observed that the proposed FPPPA computation methodology in Regulation 115 of the draft GERC MYT Regulations, 2023 is in line with the Electricity (Amendment) Rules, 2022 which has also been adopted and implemented by various SERCs. Accordingly, no modification is required in Regulation 115 of the draft GERC MYT Regulations, 2023.

Sd/-

[S. R. Pandey]
Member

Sd/-

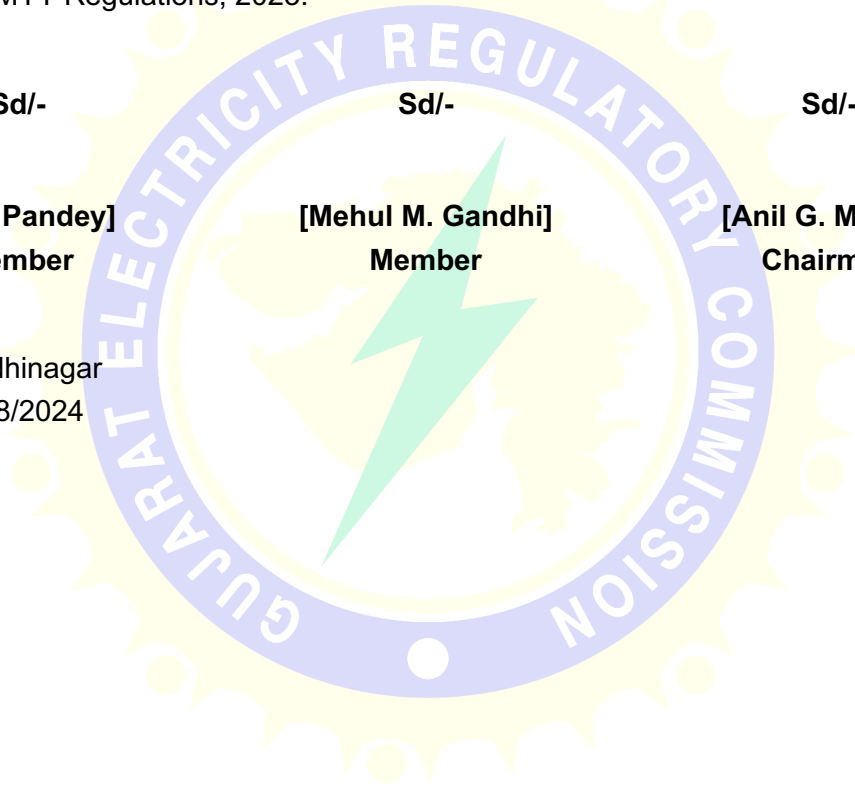
[Mehul M. Gandhi]
Member

Sd/-

[Anil G. Mukim]
Chairman

Place: Gandhinagar

Date: 05/08/2024





Annexure-I

Sl. No.	Name of Stakeholders
1	Urban Water and Sanitation Authority (UWA)
2	Federation of Kutch Industries Associations (FOKIA)
3	Federation of Gujarat Industries (FGI)
4	Gujarat Industries Power Company Limited (GIPCL)
5	Gujarat Energy Transmission Corporation Limited (GETCO)
6	Credit Rating Information Services of India Limited (CRISIL)
7	Adani Power Limited (APL)
8	State Load Dispatch Center (SLDC)
9	Gujarat State Electricity Corporation Limited (GSECL)
10	Mundra Port and Special Economic Zone Utilities Limited (MUL)
11	Gujarat International Finance Tec-City Power Corporation Limited (GIFT PCL)
12	Gujarat Urja Vikas Nigam Limited (GUVNL)
13	Prayas Energy Group (PEG)
14	Prof. Ajay Pandey, IIMA
15	Torrent Power Limited (TPL)
16	Gujarat Krushi Viji Grahak Suraksha Sangh (GKVGSS)
17	Centre for Energy Regulation, Indian Institute of Technology Kanpur [CER (IIT Kanpur)]