

# **HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION, SHIMLA**

In the matter of draft Regulations of the Himachal Pradesh Electricity Regulatory Commission (Reporting System on Power Regulatory Accounting) Regulations, 2014.

**Coram:**  
**Subhash C. Negi**  
**Chairman**

## **ORDER**

1. Recognising the need for Regulatory Accounts to be prepared by Utilities distinct from Statutory Accounts, Forum of Regulators (FOR) (constituted by the Central Government under section 166 of the Electricity Act, 2003) constituted a Working Group on “Standardisation of Regulatory Accounts.” FOR also engaged Consultants to assist the Working Group. Report of the Consultant/Working Group was discussed by FOR in its 31<sup>st</sup> Meeting held on 27<sup>th</sup> and 28<sup>th</sup> August, 2012 and the recommendations were endorsed with the following suggestions:-

“The allocation percentage indicated in the context of separate accounting for network business and supply business should be indicative/ illustrative in nature with the flexibility for the SERCs to adopt suitable allocation methodology percentage based on the needs in the State.”

2. The objectives, scope and benefits of the Regulatory Accounts are largely as under:-
- (i) The Regulatory Accounts have two fold objectives i.e.
    - (a) To capture information on the regulated business of the Utility (Entity having Integrated Operations or having only Regulated Business)
    - (b) To reconcile the difference between Expenses allowed/allowable to the Utility as per Tariff Regulations/Orders and the expenses incurred as per Audited Accounts.
  - (ii). Regulatory Accounts will not replace the ARR and Tariff formats.
  - (iii). Regulatory Accounts will supplement the Tariff Determination process, by providing the Regulatory Commission information about the Regulated Business of the Utility and the reconciliation of figures in the Truing up petition with the figures in the Statutory Accounts.
  - (iv). The Regulatory Accounts Formats will have to be filled up by the Utility and submitted to the Regulatory Commission after the finalisation of audited annual accounts, subject to the time limit specified in the Regulations, to be notified by the Commission. Utilities, post finalization of their Statutory Accounts, will be required to prepare the Regulatory Accounts first, which will facilitate the filling up of formats for Truing up in accordance with the Tariff Regulations notified by Regulatory Commission.
  - (v). Regulatory Commission typically ask for reconciliation between figures of the Audited Accounts and figures claimed in Truing up Petition as part of data

gaps. Submission of Regulatory Accounts with ARR/APR Petition will formalize the reconciliation.

- (vi). Regulatory Accounts will also show the proportion of common assets and common expenses allocated to the Regulated Business in case
  - (a) Common assets are used.
  - (b) Common expenses are incurred for both Regulated Business in the State and Unregulated Business/Regulated Business in other State(s).
- (vii). The basis of allocation will also be shown in Regulation Accounts.
- (viii). Regulatory Accounts are required to capture the assets, liabilities, expenses and revenue of the Regulated Business of the Licensee or the Generation Company as per the Regulatory Principles as distinct from the Accounting Principles followed for preparation of audited accounts.
- (ix). Also the Regulatory Accounts are required to be audited and certified by an Auditor, which will improve the authenticity of expenses and revenues in the Regulatory Accounts.

3. To achieve the above objectives, the Commission, published the draft HPERC (Reporting System on Power Regulatory Accounting) Regulations, 2014, on 17<sup>th</sup> November, 2014 in Rajpatra Himachal Pradesh in exercise of the power conferred under section sub-section (1) and clause (ze) of sub-section (2) of section 181 and sub-section (8) of section 128 of the Electricity Act, 2003 (36 of 2003).

As required vide sub-section (3) of the section 181 of the Act, the Commission invited public objections and suggestions by way of insertions in two News papers having circulation in the State i.e. “the Tribune” and “ the Amar Ujala” on 20<sup>th</sup> November , 2014 under Rule (3) of Electricity (Procedure of Previous Publication) Rules,2005 and the full text of the draft regulations, alongwith explanatory memorandum thereon, was made available on the Commission’s website [www.hperc.org](http://www.hperc.org). A time of 30 days was allowed for filing objections and suggestions in relation to the said draft regulations.

The major stakeholders, as per the list attached at Annexure -“A” were also requested to file their objections/suggestions on the aforesaid draft regulations.

No comments/suggestions, on the aforesaid draft regulations, have received in the stipulated period. The draft regulations shall be finalized and notified accordingly.

Place: Shimla  
Date: the 22<sup>nd</sup> December, 2014

Sd/-  
**(Subhash C. Negi)**  
**Chairman**