

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

In the matter of formulation of the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Hydro Generation Tariff) (Third Amendment) Regulations, 2018.

**CORAM**  
**Sh. S.K.B.S. Negi**  
**Chairman**  
**Sh. Bhanu Pratap Singh**  
**Member**

### **Statement of Reasons**

#### **1.0 BACKGROUND:**

- 1.1 The Himachal Pradesh Electricity Regulatory Commission (hereinafter referred as “the Commission” or “the HPERC”) published the draft HPERC (Terms and Conditions for Determination of Hydro Generation Tariff)(Third Amendment) Regulations, 2018 on 08.10.2018 in Rajpatra Himachal Pradesh in exercise of the power conferred under Section 61, sub-section (1) of Section 62, clauses (a),(b) and (e) of sub-section(1) of Section 86 and clause (zd) of sub-section(2) of section 181 of the Electricity Act, 2003 (hereinafter referred as “the Act”).
- 1.2 As required vide sub-section (3) of the Section 181 of the Electricity Act, 2003, read with sub-regulation (5) of regulation 16 of the HPERC (Conduct of Business) Regulations, 2005 and rule 3 of the Electricity (Procedure for Previous Publication) Rules, 2005, the Commission invited public objections and suggestions by way of insertions in two Newspapers i.e. “Divya Himachal” and “Hindustan Times” on 10<sup>th</sup> November, 2018 and the full text of the draft Transmission Regulations, 2018 was made available on the Commission’s website [www.hperc.org](http://www.hperc.org). A time of 21 days was allowed for filing objections and suggestions in relation to the said draft Transmission Regulations, 2018.
- 1.3 Subsequently a public hearing was held on 17.11.2018, wherein stakeholders presented their views before the Commission.
- 1.4 The Commission received comments/suggestions on the draft Hydro Generation tariff Regulations, 2018 from the Himachal Pradesh State Electricity Board Ltd. only

## 2.0 Objections and issues rose by the Stakeholders:-

### 2.1 Carrying Cost

The draft regulation states that:-

*“9-A. Carrying Cost.- The generating company, for the approved true-up of any year over and above that approved in the Tariff Order for that year, shall be entitled to a carrying cost at one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 300 basis points and for any true-up resulting in less than that approved in the Tariff Order for that year, the carrying cost shall be recovered at the same rate.”*

#### (a) Comments of HPSEBL

HPSEBL has submitted that the basis points should be kept at 350 points.

#### (b) Commission’s View

The Commission has finalized the rate for carrying cost after considering all the factors. However, The Commission in the final regulations has modified the SBI MCLR rate as on 1<sup>st</sup> April of the relevant year to the weighted average of SBI MCLR rate during the year for working out carrying cost and has incorporated the same in the final regulations.

### 2.2 Refund of excess amount

The draft regulation states that:-

*“10. Refund of excess amount.- If a generating company recovers the charges exceeding the tariff determined by the Commission, the excess amount shall be refunded to beneficiaries, who have paid such excess charges, along with interest equivalent to the one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year plus 300 basis points, without prejudice to any other liability to which such generating company may be subject:*

*Provided that such interest payable to any party shall not be allowed to be recovered through the Aggregate Revenue Requirement of the generating company:*

*Provided further that the generating company shall maintain separate details of such interest paid or payable by it, and shall submit them to the Commission along with its petition.”*

**(a) Comments of HPSEBL**

HPSEBL has submitted that the basis points should not be reduced from existing 350 to 300.

**(b) Commission's View**

The Commission has finalized the rate for refunding excess amount to the beneficiaries after considering all the factors. Therefore, the Commission does not find any merit to review the same for now.

**2.3 Interest on Working Capital**

The draft regulation states that:-

*“19. Interest on Working Capital.- Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 300 basis points. The interest on working capital shall be payable on normative basis notwithstanding that the generating company has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.”*

**(a) Comments HPSEBL**

HPSEBL has submitted that the basis points should not be reduced from existing 350 to 300.

**(b) Commission's View**

The Commission has finalized the rate for interest on working capital after considering all the factors. Therefore, the Commission does not find any merit to review the same for now.

-Sd/-  
(Bhanu Partap Singh)  
**Member**

-Sd/-  
(S.K.B.S. Negi)  
**Chairman**

Place: Shimla  
Dated: - 22.11.2018

