

HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION, SHIMLA

Notification

Shimla, the 27th September, 2023

No. HPERC-F(1)-1/2018.- WHEREAS Section 61 of the Electricity Act, 2003 (36 of 2003), provides that the Appropriate Commission shall specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the principles and methodologies specified by the Central Commission for determination of tariff applicable to generating companies and transmission licensees and also by the National Tariff Policy formulated under the said Act;

AND WHEREAS the Himachal Pradesh Electricity Regulatory Commission has framed the HPERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011 published in the Rajpatra, Himachal Pradesh, dated 2nd April, 2011 as amended from time to time (hereinafter referred as “the said Regulations”) and has determined the tariff for the Distribution Licensee i.e. HPSEBL for the 2nd, 3rd and 4th MYT Control Periods from FY 2010-11 to FY 2013-14, FY 2014-15 to FY 2018-19 and FY 2019-20 to FY 2023-24 respectively under the said Regulations;

AND WHEREAS the Himachal Pradesh Electricity Regulatory Commission is making an exercise to determine the tariff for the Distribution Licensee for the next control period starting from 1st April, 2024 and keeping in view the regulatory developments after making of the said Regulations and also the experience gained over the period, the National Tariff Policy and methodologies of the Central Commission and various Rules notified by the Government of India, amongst others, it has been felt necessary to review and to address gaps and discrepancies in the existing provisions for the determination of wheeling and retail tariff of the Distribution Licensee;

NOW, THEREFORE, in exercise of the powers 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 (36 of 2003), read with Section 21 of the General Clauses Act, 1897 (10 of 1897), and all other powers enabling it in this behalf, the Commission proposes the HPERC (Multi Year Wheeling Tariff & Retail Supply Tariff) Regulations, 2023 and as required by Sub-section (3) of Section 181 of the said Act and Rule 3 of the Electricity (Procedure for Previous Publication) Rules, 2005, the draft Regulations are hereby published for the information of all the persons likely to be affected thereby; and notice is hereby given that the said draft Regulations will be taken into consideration after the expiry of thirty (30) days from the date of publication of this notification in the Rajpatra, Himachal

Pradesh, together with any objections or suggestions which may within the aforesaid period be received in respect thereto.

The text of the aforesaid draft Regulations is available on the website of the Commission i.e. <http://www.hperc.org>.

The objections or suggestions in this behalf should be addressed to the Secretary, Himachal Pradesh Electricity Regulatory Commission, Vidyut Aayog Bhawan, Block-37, SDA Complex, Kasumpti-171009(HP).

DRAFT REGULATIONS

PART-I

PRELIMINARY

1. Short Title and Commencement

- 1.1 These Regulations shall be called the Himachal Pradesh Electricity Regulatory Commission (Multi Year Wheeling Tariff & Retail Supply Tariff) Regulations, 2023.
- 1.2 These Regulations shall come into force from the date of their notification in the Official Gazette.

2. Scope and Extent of Application

- 2.1 These Regulations shall apply to all the Distribution Licensees in the State of Himachal Pradesh and these Regulations shall extend to the whole of Himachal Pradesh.
- 2.2 These Regulations shall be applicable for determination of tariff in all cases covered under these Regulations from April 1, 2024 onwards and up to March 31, 2029 until allowed to be extended as decided by the Commission.
- 2.3 These Regulations shall be applicable where the capital cost-based tariff is determined by the Commission.
- 2.4 Where tariff has been determined through the transparent process of bidding in accordance with the guidelines issued by the Central Government, the Commission shall adopt such tariff in accordance with the provisions of the Act.

3. Definitions

- 3.1 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 form contained in Part I of Schedule III to the Companies Act, 2013 as amended from time to time;

- b) Cash flow statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (A5-3) of the Institute of Chartered Accountants of India or Ind AS 7 issued by the Accounting Standard Board;
- c) Cost records prescribed by the Central Government under Section 128(1) of the Companies Act, 2013;
- d) a statement of changes in equity, if applicable;
- e) Profit and loss account, complying with the requirements contained in Part II of Schedule III to the Companies Act, 2013;
- f) Report of the statutory auditors;
- g) Together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time;

Provided that in case of any local authority engaged in the business of distribution of electricity, the Accounting Statement shall mean the items, as mentioned above, prepared and maintained in accordance with the relevant Acts or Statutes as applicable to such local authority.

- 2) “**Act**” means the Electricity Act, 2003 (36 of 2003);
- 3) “**Aggregate Revenue Requirement**” or “**ARR**” means the costs pertaining to the licensed business which are permitted, in accordance with these Regulations, to be recovered from the tariffs and charges determined by the Commission;
- 4) “**Allocation Statement**” means for each year, a statement in respect of each of the businesses (Generation, Distribution comprising Wheeling and Retail Supply and Other Business) of the licensee, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc., which has been either:
 - (a) Determined by apportionment or allocation between different businesses of the licensee, together with a description of the basis of the apportionment or allocation; or
 - (b) Charged from or to each such Other Business together with a description of the basis of that charge;

Provided that ‘Allocation Statement’ shall not be construed as a substitute for maintaining separate accounting statement for the licensed business and other businesses of the Licensees;
- 5) “**Auditor**” means an auditor appointed by licensee in accordance with the provisions of sections 139 & 148 of the Companies Act, 2013 (18 of 2013), or any other law for the time being in force;
- 6) “**Average Cost of Supply**” means ratio of the Aggregate Revenue Requirement of the Distribution Licensee for the year including unrecovered revenue gaps/surpluses of previous years along with carrying cost to the extent proposed to be recovered through retail tariffs, to the total sales of the Distribution Licensee for the respective year;

- 7) “**Base Year**” means the financial year immediately preceding first year of the control period and used for the purposes of these Regulations;
- 8) “**Change in law**” means occurrence of any of the following events having implication for the distribution system operations covered by these Regulations:
 - a) Enactment, bringing into effect, adoption, promulgation, amendment, modification or repeal of any law; or
 - b) Change in interpretation or application of any Indian law by a competent court, Tribunal or Indian Governmental Instrumentality which is the final authority under law for such interpretation or application; or
 - c) Change by any competent statutory authority, in any condition or covenant of any consent or clearances or approval or license available or obtained for the project; or
 - d) Coming into force or change in any bilateral or multilateral agreement/ treaty between the Government of India and any other Sovereign Government;
- 9) “**Commission**” means the Himachal Pradesh Electricity Regulatory Commission;
- 10) “**Conduct of Business Regulations**” means the Himachal Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2005, as amended from time to time;
- 11) “**Control Period**” means a multi-year period comprising of five financial years from April 1, 2024 to March 31, 2029, and as may be extended by the Commission;
- 12) “**Current Year**” means a year in which the petition for aggregate revenue requirement or determination of tariff is to be filed;
- 13) “**De-capitalization**” for the purpose of the tariff under these Regulations, means reduction in Gross Fixed Assets corresponding to the removal/ deletion of assets as admitted by the Commission;
- 14) “**Distribution Business**” means the business of operating and maintaining a distribution system for supplying electricity in the area of the supply of the Distribution Licensee;
- 15) “**Distribution loss**” means the energy losses in the distribution system of a distribution licensee including auxiliary power consumption in the Sub-station;
- 16) “**Extra High Tension**” (or “**EHT**”) means all voltages above 33 kiloVolt as defined in the Himachal Pradesh Electricity Supply Code, 2009 as amended from time to time;

- 17) “**Ensuing Year**” means the year immediately following the current year;
- 18) “**Financial Year**” means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- 19) “**Force Majeure Event**” means, with respect to any party, any event or circumstance, or combination of events or circumstances, which is not within the reasonable control of, and is not due to an act of omission or commission of that party and which, by the exercise of reasonable care and diligence, could not have been prevented; and, without limiting the generality of the foregoing, shall include the following events or circumstances:
 - a) acts of God, including but not limited to lightning, landslide, storm, action of the elements, earthquakes, flood, torrential rains, drought and natural disaster or exceptionally adverse weather conditions;
 - b) strikes and industrial disturbances having a State-wide or extensive impact in the area of supply of a Licensee, but excluding strikes and industrial disturbances in the Licensee's own organisation;
 - c) acts of public enemy, war (declared and undeclared), blockades, embargo, invasion, armed conflict or act of foreign enemy, insurrections, riots, revolution, sabotage, terrorist or military action, vandalism and civil disturbance;
 - d) unavoidable accident, including but not limited to fire, explosion, radioactive contamination and toxic chemical contamination;
 - e) any shutdown or interruption of the Grid, which is required or directed by the State or Central Government or by the Commission or by the concerned Load Despatch Centre; and any shut down or interruption, which is required to avoid serious and immediate risks of a significant plant or equipment failure;
- 20) “**High Tension**” (or “**HT**”) means all voltages above 400 Volt and up to but not exceeding 33 kiloVolt as defined in the Himachal Pradesh Electricity Supply Code, 2009 as amended from time to time;
- 21) “**Investment Approval**” means approval by the Commission conveying sanction for the project including funding of the project and the timeline for the implementation of the project.
- 22) “**Licence**” means a licence granted under clause (b) of section 14 of the Act;
- 23) “**Licensed Business**” means the functions and activities, which the licensee is required to undertake in terms of the licence granted by the Commission or being a deemed licensee under the Act;
- 24) “**Licensee**” means a person who has been granted a licence and shall include a

deemed licensee;

- 25) “**Low Tension**” (or “**LT**”) means all voltages not exceeding 230 volts between phase and neutral and 400 volts between phases as defined in the Himachal Pradesh Electricity Supply Code, 2009 as amended from time to time;
- 26) “**Multi Year Tariff Petition**” or “**MYT Petition**” means a Petition to forecast the ARR and the tariff of the Distribution licensee for the Control Period;
- 27) “**Non-Tariff Income**” means income relating to the licensed business other than from tariff (wheeling and retail supply), and excluding any income from other business, cross-subsidy surcharge and additional surcharge;
- 28) “**Other Business**” means any other business of the distribution licensee for optimum utilisation of its assets within the meaning of Section 51 of the Act;
- 29) “**Petitioner**” means the Distribution Licensee, who has filed a Petition for determination of Tariff or for True up or for Annual Performance Review in accordance with the Act and these Regulations, and includes the Distribution Licensee whose Tariff is the subject of a review by the Commission on a Suo-motu basis or as part of a Truing-up exercise or Annual Review;
- 30) “**Previous Year**” means the year immediately preceding the current year;
- 31) “**Prudence Check**” means scrutiny of reasonableness of capital expenditure incurred or proposed to be incurred, financing plan, use of efficient technology, cost and time over-run and such other factors as may be considered appropriate by the Commission for determination of tariff. While carrying out the Prudence Check, the Commission shall look into whether the distribution licensee has been careful in its Judgments and decisions and vigilant in executing the project;
- 32) “**Retail Supply Business**” means the business of sale of electricity by a distribution licensee to the consumers within the area of supply in accordance with the terms of the licence for distribution and retail supply of electricity;
- 33) “**State**” means the State of Himachal Pradesh;
- 34) “**Terminal Liabilities**” means terminal benefits such as Death-cum-Retirement Gratuity, Ex- Gratia, Pension including Family Pension, Commuted Pension, Leave Encashment, LTC, Dearness relief, Interim relief, Medical reimbursement including fixed medical allowance in respect of pensioners;
- 35) “**Wheeling**” means the operation whereby the distribution system and associated facilities of a distribution licensee are used by another person for the conveyance

of electricity on payment of charges to be determined under section 62, or under section 42(2);

- 36) **“Wheeling Business”** means the business of operating and maintaining a distribution system for conveyance of electricity in the area of supply of the distribution licensee; and
- 37) **“Year”** means the financial year ending on 31st March.

- 3.2 The words and expressions occurring in these regulations and not defined herein but defined in the Act or Grid Code or State Grid Code or the Himachal Pradesh Electricity Supply Code shall bear the same meanings as respectively assigned to them in the Act or Grid Code or State Grid Code or the Himachal Pradesh Electricity Supply Code and the words and expressions used herein but not specifically defined herein or in the Act or Grid Code or State Grid Code or HP Electricity Supply Code shall have the meanings generally assigned to them in the electricity industry.
- 3.3 The words “Application” or “Petition” shall be interpreted synonymously.

PART-II

GENERAL PRINCIPLES

4. Multi Year Tariff Framework

- 4.1 The Commission shall determine the tariff for distribution business under a Multi Year Tariff framework with effect from April 1, 2024:
- 4.2 The Multi-Year Tariff framework shall be based on the following elements, for calculation of Aggregate Revenue Requirement and expected revenue from tariff and charges for Distribution Business:
- i. A detailed Business Plan based on the Operational Norms and trajectories of performance parameters specified in the MYT Regulations, year wise for the Control Period, shall be submitted by the applicant for the Commission's approval;
 - ii. Based on the Business Plan, the applicant shall submit a Petition with the forecast of Aggregate Revenue Requirement and expected revenue from existing tariff and charges for each year of the Control Period, and the Commission shall approve the tariff for each year of the Control Period;
 - iii. The mechanism for pass-through of approved gains or losses on account of uncontrollable factors will be as specified by the Commission in these

Regulations;

iv. The mechanism for sharing of approved gains or losses arising out of controllable factors will be as specified by the Commission in these Regulations;

4.3 The norms specified under these Regulations are the ceiling norms and this shall not preclude the licensee from agreeing to improved norms of operation. In case the improved norms are agreed to, such norms shall be applicable for determination of tariff.

5. Segregation of ARR of Generation and Distribution Businesses

5.1. The Distribution Licensee also carrying out the generation business shall segregate the accounts of the Company into generation business (separate for each of the generating plant) and distribution business. The Distribution Licensee, based on segregated accounts, shall submit separate ARRs for generation and distribution businesses. The ARR for generation shall be used to determine generation tariff and the ARR for distribution business to determine wheeling charges and retail tariffs.

5.2. Until accounts are segregated, Distribution Licensee shall prepare an Allocation Statement to apportion costs and revenues to respective businesses for the period prior to 31st March, 2023. The Allocation Statement shall be based on actual data:
Provided that the accounts shall necessarily be segregated from April 1, 2024.

5.3. The Allocation Statement shall be considered by the Commission only if it is certified by the Statutory Auditor/Cost Auditor and approved by the Board of Directors of the Distribution Licensee, and it shall be accompanied with an explanation of the methodology.

6. Segregation of ARR of Wheeling and Retail Supply Business

6.1 The Distribution Licensee shall segregate the accounts of the distribution business into wheeling business and retail supply business. The accounts of the distribution business shall also be maintained voltage wise by the Distribution Licensee. The ARR for wheeling business shall be used to determine Wheeling Charges and the ARR for retail supply business to determine Retail Supply Tariffs.

6.2 Until accounts are segregated, the Distribution Licensee shall prepare an Allocation Statement to apportion costs and revenues to Wheeling and Retail Supply Businesses:

Provided that the Distribution business accounts shall necessarily be segregated into Wheeling and Retail Supply business from April 1, 2024.

- 6.3 The Allocation Statement, certified by the Statutory Auditor/Cost Auditor and approved by the Board of Directors of the Distribution Licensee, shall be accompanied with an explanation of the methodology.

7. Business Plan

- 7.1 The Distribution Licensee shall file a Business Plan, for the Control Period of financial years from April 1,2024 to March 31,2029 for approval of the Commission on or before 31st October of the year preceding the first year of the Control Period for a duration covering the entire Control Period. The Business Plan shall comprise but not be limited to detailed category/ sub category/ slab wise sales and demand projections, financing plan, power procurement plan, capital investment plan, plan for reduction in Distribution Losses, plan for improving operational efficiency, Man Power Plan, Plan for improving quality and reliability of power supply, Plan for IT initiatives and physical targets.

Provided that in case the Commission issues guidelines and formats from time to time, the same shall be adhered to by the Distribution Licensee.

- 7.2 The Distribution Licensee carrying out the Generation Business shall file separate Business Plans for its Generation and Distribution businesses.
- 7.3 The Distribution Licensees shall project the power purchase requirement after considering effect of target set for Energy Efficiency (EE), and Demand Side Management (DSM) schemes.
- 7.4 The Capital Investment Plan covering the entire MYT Control Period will be submitted in the following two parts:
- a) Ongoing schemes/works of the previous MYT Control Period (i.e. works / schemes which are under construction or where full payments have not yet been made or where Supply/Work Orders have not been placed). All spillover works will be included in this;
 - b) Schemes to be taken up in the order of priority giving the schedule over the full MYT Control Period. The likely date of completion should also be given. This will also include such schemes which were part of the Capital Investment Plan of the previous MYT Control Period but could not be started and which the Petitioner considers necessary to take up during the present Control Period.
- 7.5 The Petitioner shall submit the Detailed Project Reports (DPRs) for all the schemes as per Part a) and b) above which shall include:
- (a) Purpose of investment;
 - (b) Broad Technical Specifications of the proposed investment and supporting details;

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

Provided that DPRs will not be necessary for schemes under Rs. 10 Crore for Distribution Business:

Provided further that the total capital expenditure on non-DPR schemes in any year should not exceed 20% of that for DPR schemes during that year.

7.6 The capital investment plan for Distribution Business shall match with:

- Replacement of existing assets;
- Meeting load growth;
- Technical loss reduction;
- Non-technical loss reduction;
- Meeting reactive energy requirements;
- Customer service improvement;
- Improvement in quality and reliability of supply etc.

7.7 The Petitioner shall provide a copy of the proposed Capital Investment Plan for Distribution Business to the State Transmission Utility (STU) for carrying out planning for network augmentation/ strengthening at the time of filing of this plan with the Commission. The copy of approved capital investment plan shall also be sent to the STU by the Petitioner, immediately after approval by the Commission.

7.8 The petitioner shall extend all cooperation to the STU for providing data/information required for carrying out the planning activity effectively.

7.9 The Commission shall scrutinize and approve the business plan including capital investment plan taking into consideration the additional information, if any, provided by the petitioner and the objections/ suggestions of the key stakeholders.

8. Specific trajectory for certain variables

8.1 The Commission shall stipulate a trajectory while approving the Business Plan for certain variables having regard to the reorganization, restructuring and development of the electricity industry in the State:

Provided that the variables for which a trajectory may be stipulated include, but are

not limited to, Operation & Maintenance expense norms (including employee cost, R&M expenses and A&G expenses), supply availability and wires availability, distribution losses, billing efficiency, collection efficiency and payment efficiency.

- 8.2 The Commission shall fix the year-wise trajectory for the distribution losses after duly considering the distribution losses as may be approved by it for the previous control period, including the true-up thereof, investment likely to be made for strengthening/improvement of distribution system and other relevant factors as it may consider appropriate. The Commission shall review the performance of the distribution losses with respect to the trajectory so fixed, or as may be revised by the Commission as a part of the Mid-term review. Apart from the year-wise trajectory of the distribution losses, the Commission shall also monitor, on periodical basis, the Aggregate Technical & Commercial (AT&C) losses after duly taking into account the trajectory of Distribution Licensee and issue such direction to the Distribution Licensee, as it may consider appropriate.

9. Forecast

- 9.1 The applicant shall, based on the Business Plan, submit the forecast of Aggregate Revenue Requirement and expected revenue from tariff, for the Control Period by way of MYT Petition in accordance with the HPERC (Conduct of Business), Regulations, 2005 as amended from time to time, by 30th November of the year prior to the commencement of the Control Period and accompanied by such fee payable, as specified in the HPERC (Conduct of Business) Regulations, 2005, as amended from time to time.
- 9.2 The Petitioner shall develop the forecast of Aggregate Revenue Requirement using the assumptions relating to the behaviour of individual variables that comprise the Aggregate Revenue Requirement during each year of the Control Period, including inter-alia detailed category-wise sales and demand projections, power procurement plan, trajectories of parameters specified in these Regulations and Business Plan, in accordance with guidelines and formats, as may be specified by the Commission from time to time.
- 9.3 The forecast of expected revenue from tariff and charges shall be developed based on the following:
- (a) Estimates of quantum of electricity to be supplied to consumers and wheeled on behalf of Distribution System Users for each financial year within the Control Period; and
 - (b) Prevailing tariff as at the date of making the application.
- 9.4 Based on the forecast of Aggregate Revenue Requirement for the Control Period and Expected Revenue from Tariff and Charges, the Distribution Licensee for the

Distribution Wheeling Business and Retail Supply Business, shall propose the tariff for the Control Period:

Provided that the tariff proposed by Distribution Licensee shall be in accordance with Section 62 of the Electricity Act, 2003 and these Regulations.

9.5 The Petitioner shall provide full details supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements and/or secondary research, to enable the Commission to assess the reasonableness of the forecast.

9.6 The Petitioner shall publish its petition filed for Multi Year Tariff (MYT)/ Aggregate Revenue Requirements (ARR) as required by Conduct of Business Regulations. The Petitioner shall also display the petition on its official website.

10. Review of Performance and True Up

10.1 Where the aggregate revenue requirement and expected revenue from tariff and charges of a Distribution Licensee are covered under a Multi-Year Tariff framework, such Distribution Licensee shall be subject to an annual and a mid term review of performance and True Up during the Control Period in accordance with this Regulation.

Provided that in case of an extra-ordinary circumstance, at any time notwithstanding the Annual Review, the Distribution Licensee may file appropriate application before the Commission.

11. Uncontrollable and Controllable factors

11.1 The “uncontrollable factors” shall comprise of the following factors which were beyond the control of, and could not be mitigated by the applicant:

- (a) Force Majeure events, such as war, fire, natural calamities etc;
- (b) Change in law;
- (c) Taxes, Cess and Duties;
- (d) Variation in sales;
- (e) Inter-State & Intra-State Transmission charges and losses and
- (f) Variation in the cost of power generation and/or power purchase due to the circumstances specified in Regulations 24.3 and 26;

11.2 Some illustrative variations or expected variations in the performance of the applicant, which may be attributed by the Commission to controllable factors include, but are not limited to the following:

- (a) Variations in capital expenditure on account of time and/or cost overruns/

efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;

- (b) Variations in Aggregate Technical & Commercial (AT&C) losses which shall be measured as the difference between the units input into the distribution system and the units realized (units billed and collected) wherein the units realized shall be equal to the product of units billed and collection efficiency (where Collection Efficiency shall be measured as ratio of total revenue realized to the total revenue billed for the same year);

Detailed methodology for computation of AT&C loss has been indicated at **Annexure - I** to these Regulations;

- (c) Distribution Losses which is measured as the difference between total energy input for sale to all its consumers and sum of the total energy billed in its license area in the same year;
- (d) Variations in Return on Equity (RoE), depreciation and working capital requirements;
- (e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted;
- (f) Variation in operation & maintenance expenses, except those attributable to directions of the Commission.
- (g) Variation in Wires Availability and Supply Availability.

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

- 12.1 The approved aggregate gain or loss to the Distribution Licensee on account of uncontrollable factors shall be passed through, as an adjustment in the tariff of the Distribution Licensee, as specified in these Regulations and as may be determined in the Order of the Commission passed under these Regulations.

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

- 13.1 The approved aggregate gain to the Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission;

(b) The balance amount, which will amount to two-third of such gain, shall be utilised at the discretion of the Distribution Licensee.

13.2 The approved aggregate loss to the Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss shall be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission; and

(b) The balance amount, which will amount to two-third of such loss, shall be absorbed by the Distribution Licensee.

Provided that losses, during any year of the control period, above the limit as approved by the Commission under Distribution loss reduction trajectory for the control period and in accordance with Regulation 8.2 above shall not be passed on to the consumers.

13.3 The gain or loss on account of other controllable factors, unless otherwise specifically provided by the Commission shall be to the account of the Distribution Licensee.

PART-III

PROCEDURE

14. Procedures relating to making an application for determination of Tariff

14.1 An application for approval of the Business Plan shall be made on or before 31st October of the year prior to the commencement of the Control Period, in accordance with the Himachal Pradesh Electricity regulatory Commission (Conduct of Business) Regulations, 2005, and accompanied by such fee payable, as specified in the HPERC (Conduct of Business) Regulations, 2005.

Provided that where no separate fees has been specified for filing of a Business Plan, the applicant shall pay fees as may be applicable for filing miscellaneous applications.

14.2 An application for determination of tariff and Performance Review shall be made by 30th November every year, in such form and in such manner as specified in this Regulation, and accompanied by such fees as may be specified under the

Commission. Besides, Annual Performance Review, the Commission shall also conduct the Mid-Term Performance Review in the year after the mid year of the control period especially to analyse the performance of the licensee o account of Controllable Parameters for the Control Period. Proceedings to be held by the Commission for determination of tariff shall be in accordance with the HPERC (Conduct of Business) Regulations, 2005, as amended from time to time.

- 14.3 The petition for determination of tariff shall be accompanied by information for the previous year, current year and the ensuing year for the entire control period capturing the expected revenue from the tariff and charges including miscellaneous charges along with detailed assumptions, parameters required in annual true-up exercise, etc.

Provided that the application shall be accompanied where relevant, by a detailed tariff revision proposal showing category-wise tariff and how such revision would meet the gap, if any, in Aggregate Revenue Requirement for each year of the Control Period.

Provided further that the information for the previous year shall be based on audited accounts and the same should be filed along with audited accounts for the previous year:

- 14.4 The Distribution Licensee shall, along with the aforesaid petition, submit a statement on the status of compliance of directives, if any, issued by the Commission in its previous tariff order.

- 14.5 The petition for determination of tariff shall include the details of date wise actual subsidy received from the State Government vis-a-vis that claimed by the Distribution Licensee and the true-up Petition for the previous year:

- 14.6 The Commission may seek clarifications and additional information on inadequacies in the application, if any, within 14 (fourteen) days of filing the application for approval of the Business Plan and application for determination of tariff, as the case may be.

- 14.7 The Distribution Licensee shall respond within the next 10 (ten) days to the Commission with all clarification and information as required.

- 14.8 The Commission may sought further information/ clarification on the response submitted by the Distribution Licensee/ Petitioner.

- 14.9 The Commission shall admit the application for approval of the Business Plan and application for determination of tariff, as the case may be, within 7 (seven) days of submission of complete information/response by the Distribution Licensee.

- 14.10 On receipt of a complete application accompanied by all requisite information,

particulars and documents in compliance with all the requirements specified in these Regulations, the application for approval of the Business Plan and application for determination of tariff, as the case may be, shall deem to be received and the Commission or the Secretary or the designated Officer shall intimate the applicant that the application is ready for publication.

- 14.11 The applicant shall, within 3 (three) days of an intimation given to him in accordance with Regulation 14.10, publish a notice in at least 2 (two) English and 2 (two) Hindi language daily newspapers widely circulated in the area to which the application pertains, outlining the proposed Business Plan or the proposed tariff, as the case may be, and such other matters as may be stipulated by the Commission, and invite suggestions and objections from the public:

Provided that the applicant shall make available a hard copy of the complete application to any interested party, at such locations and at such rates as may be stipulated by the Commission:

Provided further that the applicant shall also put up on its website, in downloadable spreadsheet format showing detailed computations, the application made to the Commission along with all regulatory filings, information and documents in the manner so stipulated by the Commission:

Provided further that the web link to the information mentioned in the second proviso above shall be easily accessible, archived for downloading and shall be prominently displayed on the applicant's website:

Provided also that the applicant may not provide or put up any such information, particulars or documents, which are confidential in nature, with the prior approval of the Commission

Explanation - for the purpose of this Regulation, the term "downloadable spreadsheet format" shall mean one (or multiple, linked) spreadsheet software files containing all assumptions, formulae, calculations, software macros and outputs forming the basis of the application.

- 14.12 Notwithstanding anything contained in these Regulations, in case of delay/ non-submission of the application for approval of the Business Plan and application for determination of tariff, as the case may be, the Commission may initiate Suo-motu proceedings for the determination of Tariff by 1st January every year.

Provided that in the event of the licensee not filing the application despite the aforesaid proceeding, the Commission may on its own, decide the tariff based on previous year's tariff details and after incorporating suitable adjustments.

Provided further that the Commission may also pass directions under Section 129

and/or Section 142 of the Act, if required.

15. Order approving the Business Plan and Tariff Order

- 15.1 The Commission shall scrutinize and approve the business plan after following the due consultation process.
- 15.2 The Commission shall, within 120 (one hundred and twenty) days from receipt of a complete application for tariff determination and after considering all suggestions and objections received from the public:
- (a) issue a Tariff Order accepting the application with such modifications or such conditions as may be specified in that Order;
 - (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and Regulations made thereunder or the provisions of any other law for the time being in force:

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

- 15.3 The applicant shall publish the tariff approved by the Commission in at least 2 (two) English and 2 (two) local language daily newspapers having wide circulation in the area of supply and shall put up the approved tariff / tariff schedule on its website and make available for sale, a booklet containing such tariff or tariff, as the case may be, to any person on payment of reasonable charges.
- 15.4 The tariff so published shall be in force from the date specified in the said Order and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein.

16. True-up Order

- 16.1 The Commission shall True-up the expenses either as part of the Tariff Order or issue Order/s for True-up of expenses preceding the Tariff order of ensuing year.
- 16.2 An Order for True-up of expenses shall be issued on annual basis.
- 16.3 An Order for True-up of expenses shall be on the basis of expense estimates made in the beginning of the year under consideration, actual expenses booked in the audited books of account of the Distribution Licensee for the year and prudence check by the Commission.
- 16.4 Estimates of expenses for the ensuing year shall be on the basis of corresponding figures in the order for True-up of expenses of the previous year and Tariff Order

of the current year.

17. Carrying Cost or Holding Cost

The Commission shall allow Carrying Cost or Holding Cost, as the case may be, on the admissible amounts at the weighted average one-year Marginal Cost of Funds-based Lending Rate ('MCLR') prevailing during the concerned Year as declared by the State Bank of India from time to time, plus 150 basis points:

Provided that in case of delay in filling the true-up Petition(s) by the Distribution Licensee, Carrying Cost or Holding Cost shall not be allowed on the net entitlement after the due date of filling the true-up Petition, i.e. 30th November, as per these Regulations. However, in case the true-up results in surplus, the carrying cost shall be applicable.

18. Adherence to Tariff Order

- 18.1 If a Distribution Licensee recovers a price or charge exceeding the tariff determined under Section 62 of the Act and in accordance with these Regulations, the excess amount shall be payable to the person who has paid such price or charge, along with interest equivalent to State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) of one year tenor, as on first April of the corresponding year without prejudice to any other liability that may be incurred by such Distribution Licensee.
- 18.2 The Distribution Licensee shall submit periodic returns as may be required by the Commission, containing operational and cost data to enable the Commission to monitor the implementation of its Order.

PART IV

SALES, POWER PURCHASE QUANTUM AND COST

19. Sales forecast

19.1 Forecasting Methodology

- 19.1.1 The Distribution Licensee shall submit a month-wise 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 Business plan for the Control period from 01.04.2024 to 31.03.2029. The forecast provided under the Business plan shall also be submitted under the ARR petition for the Control Period, as specified in these Regulations:

Provided that the Distribution Licensee shall submit relevant details regarding

category- wise sales separately for each Distribution Franchisee area within its License area, as well as the aggregated category-wise sales in its License area.

- 19.1.2 The sales forecast shall be consistent with the load forecast prepared as part of the power procurement plan under Regulation 21 of these Regulations and 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 that open access transactions shall not form part of Sales.

20. Treatment of Distribution Loss

- 20.1 The power purchase requirement of the Distribution Licensee at the Transmission-Distribution interface point, shall be computed by grossing up the sales with the distribution losses approved by the Commission:

Provided that the Commission may stipulate the target distribution losses in accordance with Regulation 15 as part of the Order on Business Plan:

Provided further that the Distribution Licensee shall submit the details of circle-wise distribution losses for the relevant years, in accordance with the formats prescribed by the Commission:

Provided also that the Commission may fix the targets for circle-wise distribution losses separately for the relevant years.

21. Power procurement guidelines

- 21.1 The Distribution Licensee shall undertake its power procurement during the year in accordance with the power procurement plan for the Control Period, which may include long-term, medium-term and short-term power procurement, approved by the Commission in accordance with these Regulations.
- 21.2 All future procurement of short-term or medium-term or long-term power, including Renewable Energy, shall invariably be undertaken through competitive bidding in accordance with Guidelines notified by the Government of India under Section 63 of the Act:

Provided that in case either no competitive bids are received or the bids received are higher than the prevailing market rates or on any other sufficient reason, then the Distribution Licensee may procure medium-term or long-term power under Section 62 of the Act, subject to fulfilling the conditions specified in Regulation 23:

Provided further that the power procurement from those Renewable Energy technologies/ sources wherein the Commission has determined/ notified the generic/ preferential tariffs shall be allowed at such rates:

Provided also that the power procurement from those energy sources, as prescribed in the National Tariff Policy, shall be allowed for tariff determination under Section 62 of the Electricity Act, 2003, with the prior approval of the Commission.

22. Power Procurement Planning

22.1 The Distribution Licensee shall prepare a plan for procurement of power (in MW/ MU) to serve the demand for electricity in its area of supply and submit such plan to the Commission for approval:

Provided that such power procurement plan shall be submitted for the Control Period commencing on 01.04.2024, as part of the Business plan in accordance with Regulation 7 of these Regulations.;

Provided further that such power procurement plan may include long term (more than 5 years), medium-term (upto 5 years) and short-term (upto 1 year) sources of power procurement, in accordance with these Regulations.

22.2 The power procurement plan of the Distribution Licensee shall comprise the following:

- (a) A quantitative forecast of the unrestricted base load and peak load for electricity within its area of supply;
- (b) An estimate of the quantity of electricity supply from the identified sources of power purchase, including own generation if any;
- (c) An estimate of availability of power to meet the base load and peak load requirement:

Provided that such estimate of demand and supply shall be on month-wise basis in Mega-Watt (MW) as well as expressed in Million Units (MU);

- (d) Standards to be maintained with regard to quality and reliability of supply, in accordance with the relevant Regulations of the Commission;
- (e) Measures proposed for Renewable Purchase Obligation (RPO), energy conservation, energy efficiency, and Demand Side Management;
- (f) The requirement for new sources of power procurement, including augmentation of own generation capacity, if any, and identified new sources of supply, based on (a) to (e) above;

- (g) The impact of Open Access on load
- (h) The sources of power, quantities and cost estimates for such procurement:
- (i) Impact of Storage capacities including Batteries, Electric Vehicle charging stations etc.;

Provided that the forecast or estimates contained in the long-term procurement plan shall be separately stated for peak and off-peak periods, in terms of quantity of power to be procured (in MU) and maximum demand (in MW):

Provided further that the forecast or estimates for the Control Period from FY2024-25 to FY 2028-29 shall be prepared for each month over the Control Period:

Provided also that the medium-term / short term procurement plan shall be a least cost plan based on available information regarding costs of various sources of supply

- 22.3 The forecast or estimate shall be prepared using forecasting techniques based on past data and reasonable assumptions regarding the future:

Provided that the forecast or estimate shall take into account factors such as overall economic growth, consumption growth of electricity-intensive sectors, advent of competition in the electricity sector, trends in captive power, impact of loss reduction initiatives, improvement in Generating Station Plant Load Factors and other relevant factors.

- 22.4 Where the Commission has specified a percentage of the total consumption of electricity in the area of a Distribution Licensee to be purchased from co-generation or renewable sources of energy, the power procurement plan shall include the plan for procurement from such sources upto the specified level.

- 22.5 The Distribution Licensee shall forward a copy of its power procurement plan to the State Transmission Utility for verification of its consistency with the transmission system plan for the intra-State Transmission System, prepared in accordance with the Regulations of the Commission governing Transmission Open Access:

Provided that the Distribution Licensee shall also consult the State Transmission Utility at the time of preparation of the power procurement plan, to ensure consistency of such plan with the transmission system plan.

- 22.6 The Commission shall approve the power procurement plan for the Control Period as part of its Order on the MYT Petition.

- 22.7 The Commission may, as a result of additional information not previously known or available to the Commission at the time of approval of the procurement plan under Regulation 15, if it deems appropriate, Suo-motu or on a Petition filed by the Distribution Licensee, modify the procurement plan of the Distribution Licensee for the remainder of the Control Period.

23. Approval of long-term/medium-term power purchase agreement/arrangement

- 23.1 Every long-term/medium-term agreement or arrangement for power procurement, including on a Standby basis, by a Distribution Licensee from a Generating Company or Licensee or from another source of supply, and any change to an existing agreement or arrangement shall come into effect only with the prior approval of the Commission:

Provided that the prior approval of the Commission shall not be required for purchase of power from Renewable Energy sources at the generic/preferential tariff determined by the Commission for meeting its Renewable Purchase Obligation (RPO).

- 23.2 The Commission shall consider a Petition for approval of power procurement agreement or arrangement having regard to the approved power procurement plan of the Distribution Licensee and the following factors:
- (a) Requirement of power procurement under the approved power procurement plan;
 - (b) Adherence to a transparent process of bidding in accordance with guidelines issued by the Central Government under Section 63 of the Act or Adherence to the terms and conditions for determination of Tariff specified under Part V of these Regulations;
 - (c) Competitiveness of the Tariff vis-a-vis the Tariff prevalent in the market and/or Tariff discovered through competitive bidding under Section 63 of the Act;
 - (d) Availability (or expected availability) of capacity in the intra-State transmission system for evacuation and supply of power procured under the agreement or arrangement;
 - (e) Need to promote co-generation and generation of electricity from renewable sources of energy.
- 23.3 Upon completion of its consideration of the power procurement agreement or arrangement, the Commission shall:
- (a) issue an Order approving the power procurement agreement or arrangement, subject to such modifications and conditions as it may stipulate; or
 - (b) reject the Petition for reasons to be recorded in writing, after giving the

Petitioner an opportunity to be heard.

24. Additional power procurement

- 24.1 The Distribution Licensee may undertake additional power procurement during the year, over and above the power procurement plan for the Control Period approved by the Commission, in accordance with this Regulation.
- 24.2 Where there has been an unanticipated increase in the demand for electricity or a shortfall or failure in the supply of electricity from any approved source of supply during the Year or when the sourcing of power from existing tied-up sources becomes costlier than other available alternative sources, the Distribution Licensee may enter into additional agreement or arrangement for procurement of power.
- 24.3 Where the Distribution Licensee has identified a new short-term source of supply from which power can be procured at a Tariff that reduces its approved total power procurement cost, it may enter into a short-term power procurement agreement or arrangement with such supplier without the prior approval of the Commission.
- 24.4 The Distribution Licensee may enter into a short-term arrangement or agreement for procurement of power without the prior approval of the Commission when faced with emergency conditions that threaten the stability of the distribution system, or when directed to do so by the HPSLDC to prevent Grid failure.
- 24.5 Within fifteen days from the date of entering into an agreement or arrangement for short-term power procurement for which prior approval is not required, the Distribution Licensee shall submit to the Commission its details, including the quantum, Tariff computations, duration, supplier particulars, method of supplier selection and such other details as the Commission may require so to assess that the conditions specified in this Regulation have been complied with.
- 24.6 Where the Commission has reasonable grounds to believe that the agreement or arrangement entered into by the Distribution Licensee does not meet the criteria specified in Regulations 24.2 to 24.4, it may disallow any increase in the total cost of power procurement over the approved level arising therefrom or any loss incurred by the Distribution Licensee as a result, from being passed through to consumers.

25. Power Purchase Quantum and Cost

- 25.1 Based on the power procurement planning, the power purchase quantum and cost shall be calculated.
- 25.2 The approved Power Purchase cost shall be net of expected revenue from sale of

surplus power, if any, during lean period.

- 25.3 Revenue from sale of surplus power shall be estimated by taking into consideration the annual per unit weighted average price of bilateral purchases of the Distribution Licensee estimated by the Commission for ensuing year and power exchange rates for the last one year at the time of finalization of the ARR for the ensuing year.

26. Fuel and Power Purchase Cost Adjustment (FPPCA) Methodology

26.1 Computation of fuel and power purchase adjustment surcharge:

- For these Regulations “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission.
- Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, without going through regulatory approval process, on a monthly basis, according to the formula, prescribed by the Commission, subject to true up, on an annual basis, as decided by the Commission:

Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these Regulations.

- Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the nth month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:

Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of carrying cost during true up exercise for under recoveries on account of fuel and power purchase adjustment surcharge shall be forfeited.

- The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment Surcharge for a Billing Month, including

any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.

- The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.
- In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be true up in the year under consideration.
- Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,
 - (i) If fuel and power purchase adjustment surcharge $\leq 5\%$, 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee shall be levied automatically using the formula.
 - (ii) If fuel and power purchase adjustment surcharge $> 5\%$, 5% fuel and power purchase adjustment surcharge shall be recoverable automatically as per item (i) above. 90% of the balance fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the Commission during true up.
- The revenue recovered on account of pass through of fuel and power purchase adjustment surcharge by the distribution licensee, shall be true up later for the year under consideration and the true up for any financial Year shall be completed by 30th June of the next financial year.
- In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharge shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation:-For example in the month of July, the automatic pass through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

- The distribution licensee shall submit such details, in the stipulated formats, of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, as required by the Commission, during true up of the normal tariff.
- To ensure smooth implementation of the fuel and power purchase adjustment surcharge mechanism and its recovery, the distribution licensee shall ensure that the licensee billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open source software as available.
- The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.

26.2 Computation of Fuel and Power Purchase Adjustment Surcharge:

(1) Formula:

$$\text{Monthly FPPAS for } n^{\text{th}} \text{ Month (\%)} = \frac{(A-B)*C + (D-E)}{Z * (1 - \text{Distribution losses in\%/100})} * \text{ABR}$$

Where,

N^{th} month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in the $(n-2)^{\text{th}}$ month

A is Total units procured in $(n-2)^{\text{th}}$ Month (in kWh) from all Sources including Long-term, Medium –term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)

B is bulk sale of power from all Sources in $(n-2)^{\text{th}}$ Month. (in kWh) = (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10th day of each month).

C is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in $(n-2)$ month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)

D = Actual inter-state and intra-state Transmission Charges in the $(n-2)^{\text{th}}$ Month, (From the bills by Transcos to Discom) (in Rs)

$E = \text{Base Cost of Transmission Charges for } (n-2)^{\text{th}} \text{ Month.} = (\text{Approved Transmission Charges}/12) \text{ (in Rs)}$

$Z = [\{\text{Actual Power purchased from all the sources outside the State in } (n-2)^{\text{th}} \text{ Month. (in kWh)} * (1 - \text{Interstate transmission losses in } \% /100) + \text{Power purchased from all the sources within the State(in kWh)}\} * (1 - \text{Intra state losses in } \%) - B]/100 \text{ in kWh}$

ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)

Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)

Inter-state transmission Losses (in %) = As per Tariff Order

- (2) The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.
- (3) Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted though the true-up approved by the Commission.

PART V

FINANCIAL PRINCIPLES

27. Consumer Contribution, Deposit Work, Grant and Capital Subsidy

27.1 The expenses on the following categories of works carried out by the Distribution Licensee shall be treated as specified in Regulation 27.2:

- Works undertaken from funds, partly or fully, provided by the users, which are in the nature of deposit works or consumer contribution works;
- Capital works undertaken with grants or capital subsidy received from the State and Central Governments;
- Other works undertaken with funding received without any obligation of repayment and with no interest costs.

27.2 The expenses on such capital works shall be treated as follows:-

- (a) normative O&M expenses as specified in these Regulations shall be allowed;
- (b) the debt:equity ratio, shall be considered in accordance with Regulation 28, after deducting the amount of such financial support received;
- (c) provisions related to depreciation, as specified in Regulation 32, shall not be applicable to the extent of such financial support received;

- (d) provisions related to return on equity, as specified in Regulation 35 shall not be applicable to the extent of such financial support received;
- (e) provisions related to interest on loan capital, as specified in Regulation 33 shall not be applicable to the extent of such financial support received.

28. Debt-equity ratio

28.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2024, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission, after prudence check for determination of Tariff:

Provided that the Distribution Licensee shall substantiate such investment of equity and debt through documentary evidence:

Provided also that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Distribution Licensee for determination of Tariff:

Provided also that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of Tariff:

Provided also that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

29. Principles for determination of ARR

The Aggregate Revenue Requirement for the Distribution Business of the Distribution Licensees for each year of the Control Period, shall contain the following financial parameters:

- A. Operation and Maintenance expenses;
- B. Capital Expenditure;
- C. Depreciation;
- D. Interest on Loan;
- E. Interest on Working Capital;
- F. Return on Equity;
- G. Income Tax;
- H. Non-Tariff Income; and
- I. Income from Other Business

30. Operation & Maintenance Expenses

- (a) The Commission shall stipulate a separate trajectory of norms for each of the

components of O&M expenses viz., Employee cost, Repairs & Maintenance (R&M) expense and Administrative & General (A&G) expense.

Provided that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.

- (b) Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee expenses; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:
- (c) One-time expenses such as expense due to change in accounting policy, arrears paid due to Pay Commissions etc., shall be excluded from the norms in the trajectory.
- (d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal liabilities in Employee cost etc., shall be excluded from the norms in the trajectory.
- (e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance expenses after prudence check.
- (f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.
- (g) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.
- (h) The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of absolute and relative analysis.
- (i) In absolute analysis, Distribution Licensee's audited accounts of operations for last three years, expenses claimed for control period, historically approved cost, and prudence check shall be used by the Commission to estimate values of norms.
- (j) In relative analysis, performance parameters of other Distribution Licensees within the same State or in other States, shall be considered by the Commission to estimate norms.

Provided that other Distribution Licensees so chosen shall have similar profile

as that of the Distribution Licensee under consideration in terms of consumer mix, type of license area (city, State, etc.) type of distribution networks, viz., underground/overhead, HT-LT ratio, etc.

- (k) Suitable average of outcomes of absolute and relative analysis shall be taken by the Commission to fix the norms over the control period for the Distribution Licensee.
- (l) Based on the proposal submitted by the licensee, the Commission shall fix the norms for the said purposes which shall be taken into account for determining the trajectories for various components of O&M expenses for the remaining years of the control period;
- (m) Till such time the norms are fixed by the Commission, the trajectory for various components of O&M expenses shall be submitted by the licensee and approved by the Commission taking into consideration the actual costs of the licensee for the previous years in accordance with the provisions of these Regulations.
- (n) Presently, the State of Himachal Pradesh is having only one DISCOM i.e. HPSEBL and its per unit employee cost is one of the highest in the country. Therefore, the HPSEBL must take prior approval of the Commission before going for any fresh recruitment. Otherwise, the cost on such account shall not be approved by the Commission.

30.1 **Employee Cost**

Employee cost shall be computed as per the approved norm/trajectory escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Distribution Licensee and one time expected expenses, such as recovery/adjustment of terminal liabilities, implications of Pay Commission, arrears and Interim Relief, governed by the following formula:

$$EMP_n = (EMP_b * CPI \text{ inflation}) + \text{Provision}$$

Where:

- EMP_n: Employee expense for the year n
- EMP_b: Employee expense as per the norm/trajectory
- CPI inflation: Average increase in the Consumer Price Index (CPI) for immediately preceding three years
- Provision: Provision for expenses beyond control of the Distribution Licensee and expected one-time expenses as specified above

30.2 Repairs and Maintenance Expense

Repairs and Maintenance expense shall be calculated as percentage (as per the norm/trajectory defined) of Opening Gross Fixed Assets for the year governed by following formula: $R\&M_n = K_b * GFA_n$

Where:

R&M _n :	Repairs & Maintenance expense for n th year
GFA _n :	Opening Gross Fixed Assets for n th year
K _b :	Percentage point as per the norm/trajectory

30.3 Administrative and General Expense

A&G expense shall be computed as per the norm/trajectory escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT initiatives as proposed by the Distribution Licensee and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula:

$$A\&G_n = (A\&G_b * WPI \text{ inflation}) + \text{Provision}$$

Where:

A&G _n :	A&G expense for the year n
A&G _b :	A&G expense as per the norm/trajectory
WPI inflation:	Average increase in the Wholesale Price Index (WPI) for immediately preceding three years
Provision:	Cost for initiatives or other one-time expenses as proposed by the Distribution Licensee and validated by the Commission.

31. Capital Expenditure

- (a) Capital expenditure shall be considered on scheme wise basis, as approved in the Capital Investment Plan.
- (b) For capital expenditure greater than INR 10 Crore, the Distribution Licensee shall seek prior investment approval of the Commission by filing a separate Petition if the work is not already approved in the Capital Investment Plan.
- (c) The Distribution Licensee shall submit detailed supporting documents while seeking investment approval from the Commission.

Provided that supporting documents shall include but not be limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis:

- (d) The approval of capital expenditure by the Commission for the ensuing year shall

be in accordance with load growth, system extension, rural electrification, distribution loss reduction or quality improvement as proposed in the Distribution Licensee's supporting documents.

- (e) The Distribution Licensee shall not propose any new transmission line/Sub-station of 66 kV and above voltage level. However, for augmentation and strengthening of the existing transmission system, the Distribution Licensee shall take separate approval of the Commission on case to case basis.
- (f) The Commission may also undertake a detailed review of the actual works undertaken compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.
- (g) In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information alongwith reasons justifying the emergent nature of the proposed work, seeking post facto approval of the Commission.
- (h) The Distribution Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its Board of Directors.
- (i) In case the capital expenditure incurred for ongoing approved schemes exceeds the amount as approved in the capital expenditure plan, the balance amount and the incidental cost shall be trued up by the Commission after prudence check at the end of Control Period. However, for schemes those are completed shall be trued up while doing the truing of the respective year. The completed schemes once trued up shall be considered to attain finality and shall not be re- opened for consideration at the time of true-up of remaining schemes to be done at the end of Control Period:

Provided that any additional capital expenditure incurred on account of time over run and/or unapproved changes in scope of approved schemes except for reasons beyond the control of Licensee and duly submitted in writing may not be allowed by the Commission:

Provided that capital expenditure incurred on unapproved schemes shall not be allowed by the Commission.

- (j) If capital expenditure is less than INR 10 Crore and already approved by the Commission in the Capital Investment Plan, the Distribution Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all the relevant supporting documents.

- (k) Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.
- (l) An amount equivalent to the depreciation charge on such assets for the year shall be appropriated from this account as income to the profit and loss account over the useful life of the asset.
- (m) All the prudent costs incurred by the distribution licensee for creating the assets for development and maintenance of distribution system in accordance with Sub-section (1) of section 42 of the Act shall be pass through:
Provided that such pass-through of the cost for the assets created by the distribution licensee shall be subject to following conditions:-
 - (i) the asset has been created in accordance with the Capital Investment Plan for the licensee approved by the Commission.
 - (ii) the asset has been procured in competitive and transparent manner.
 - (iii) the asset is geo-tagged and properly recorded in Fixed Asset Register.

32. Treatment of Depreciation

- (a) Depreciation shall be calculated for each year of the control period on the original cost of the fixed assets of the corresponding year.
- (b) Depreciation shall not be allowed on assets funded by capital subsidies, consumer contributions or grants.
- (c) The rate of depreciation for each of the components of the fixed assets based on the useful life of the assets shall be as given in Annexure – II.

Provided the salvage value of the any category of assets defined at Annexure - II shall be 10% of the initial cost of the asset.

- (d) The rate of depreciation should be based on Straight Line Method (SLM) over the useful life of the assets, after factoring the salvage value of the assets.

Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset

- (e) The distribution licensees having fixed asset records for the assets procured before 31st March, 2024 shall have one time option to adopt the new rates for the older assets, if opted by the distribution licensee.

Provided that, in case the distribution licensee does not have an asset record to assess the date of commissioning of assets as per the categorization provided in Annexure – II, the Commission shall allow the existing method of depreciation on

the assets already commissioned till the issue of last tariff Order.

Provided that record of the assets being commissioned by the Distribution licensee during the ongoing FY subsequently shall be properly maintained by the Distribution licensee and the computation of depreciation of such assets shall be in accordance with Regulation 32 (c) above.

- (f) Depreciation shall be charged from the first year of operation of the asset.

Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis:

- (g) A provision of replacement of assets shall be made in the capital investment plan.

33. Treatment of Interest on loan

- (a) The Distribution Licensee shall provide detailed loan-wise, project-wise and utilization-wise details of all the pending loans.

- (b) If the equity actually deployed is more than 30 % of the capital cost, equity in excess of 30% shall be treated as normative loan:

Provided that where equity actually deployed is less than 30% of the capital cost, the actual loan shall be considered for determination of interest on loan:

- (c) Actual loan or normative loan, if any, shall be referred as gross normative loan in this Regulation.

- (d) The normative loan outstanding as of 1st April of 2024 shall be computed by deducting the cumulative repayment as approved by the Commission (basis as mentioned below) upto 31st March of 2023 from the gross normative loan.

- (e) The repayment for the control period shall be deemed to be equal to the depreciation allowed for the year.

- (f) Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of the loan shall be considered from the first year of the control period as per annual depreciation allowed.

- (g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures:

Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable.

Provided further that the interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest:

Provided also that exception shall be made for the existing loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects:

- (h) The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers.

Provided that the cost associated with such refinancing shall be eligible to be passed through in tariffs and the benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.

Provided further that the Distribution Licensee shall submit the calculation of such benefit to the Commission for its approval.

34. Interest on Working Capital

The Distribution Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

- a) O&M expenses for one month:
 - b) Two months equivalent of expected revenue:
 - c) Maintenance spares @ 40% of R&M expenses for one month:
- Less:
- d) Security deposits from consumers, if any.

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the weighted average of one year Marginal Cost of Funds based Lending Rate (MCLR) as declared by the State Bank of India from time to time for the financial year in which the application for the determination of tariff is made plus 350 basis points.

Provided further that interest shall be allowed on consumer security deposits and security deposits from Distribution System users at the Bank Rate as on the date on which the petition for determination of tariff is accepted by the Commission.

35. Treatment of Return on equity

- (a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

Provided that assets funded by consumer contribution, capital subsidies/grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in this Regulation:

Provided, that accumulated depreciation, over and above debt repayment, shall be used to reduce the equity base for return on equity after debt repayment is over.

- (b) The return on the equity invested in working capital shall be allowed from the date of start of commercial operation:
- (c) Distribution Licensee shall be allowed 14% post-tax return on equity.

36. Income Tax

36.1 Income tax, if any, on the licensed business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its licensed business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

36.2 Any under-recoveries or over-recoveries of tax on income shall be adjusted every year on the basis of income-tax assessment, under the Income Tax Act, 1961, as certified by the statutory auditors:

Provided further that the benefits of tax-holiday as applicable in accordance with the provisions of the Income Tax Act, 1961 shall be passed on to the consumers.

36.3 The Income Tax actually payable or paid shall be included in the ARR. The actual assessment of Income Tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be passed on to the consumers.

36.4 Tax on income, if any, liable to be paid shall be limited to tax on Return on Equity. However, any tax liability on incentives due to improved performance shall not be considered.

37. Non-Tariff Income

- a) All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, income from rent of land and buildings, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, interest income on advance to suppliers and contractors, income from rent from staff quarters,

income from rent from contractors, income from hire charges from contactors and others, supervision charges for capital works, income from consumer charges levied in accordance with Schedule of Charges approved by the Commission, income from recovery against theft and/or pilferage of electricity, income from advertisements, income from sale of tender documents, miscellaneous receipts from the consumers and income to Licensed business from the Other Business of the Distribution Licensee shall constitute Non-Tariff Income of the Licensee.

- b) Interest on security deposits, in excess of the rate specified by the Commission shall be considered as Non Tariff income of the Licensees.
- c) The amount received by the Licensee on account of Non-Tariff Income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of such Licensee.

38. Income from Other Business

Where the Licensee is engaged in any other business, the income from such business will be deducted from the Aggregate Revenue Requirement in calculating the revenue requirement of the Licensee in the manner and in proposition as may be specified by the Commission.

Provided that the Licensee shall follow a reasonable basis for allocation of all joint and common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement as approved by the Board of Directors to the Commission along with its application for determination of tariff;

Provided further that where the sum total of the direct and indirect costs of such Other Business exceed the revenues from such Other Business or for any other reason, no amount shall be allowed to be added to the aggregate revenue requirement of the Licensee on account of such Other Business.

PART-VI

WHEELING AND RETAIL SUPPLY BUSINESS

39. Segregation of Wheeling Business and Retail Supply Business

The Distribution Licensee shall maintain separate books of accounts for Wheeling Business and Retail Supply Business.

The tariff for Wheeling Business and Retail Supply Business of a Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Wheeling Business and Retail Supply Business.

PART-VII

SUBSIDY, CROSS SUBSIDY AND TARIFF DESIGN

40. Subsidy

- (a) The Commission shall determine the ARR and Tariff without considering subsidy.

Provided further that in case the State Government declares subsidy in advance or during tariff filing proceedings and the licensee incorporates the subsidy in the petition, the Commission shall notify two tariff schedules, one with subsidy and the other without subsidy:

Provided also that the Government's subsidy provided for or declared shall be supported by documentary evidence of time schedule of payment, mode of the payment of the subsidy and categorization of the subsidy amount into subsidized consumer categories:

- (b) The Commission may clarify in the tariff order, post the declaration from the Government, the quantum of Government's subsidy as applicable to the fuel cost adjustment along with the range (%) of variable cost up to which the fuel adjustment cost shall not be passed to the consumers, category wise classification, mode of payment and schedule of payment etc.
- (c) In case of no disbursement or delayed disbursement of subsidy by the Government, the licensee shall charge consumers as per the tariff schedule which is approved by the Commission, without consideration of subsidy.
- (d) The distribution licensee(s) shall submit to the Commission on quarterly basis the information on subsidy due, subsidy overdue and subsidy realized based on actual energy supplied to subsidized categories of consumer. The report on subsidy status shall be hosted on the distribution licensee's website.

41. Cross Subsidy surcharge, and Tariff Design

(a) Cross-subsidy surcharge and additional surcharge in Open Access

- (1) The amount received or to be received by the licensee on account of cross-subsidy surcharge and additional surcharge, as approved by the Commission from time to time in accordance with the Regulations specified by the Commission, shall be shown separately against the consumer category that is permitted open access as per the phasing plan.
- (2) Cross-subsidy surcharge and additional surcharge shall be shown as revenue from the tariff from the consumer categories who have been permitted open access and such amount shall be utilized to meet the cross-subsidy

requirements of subsidized categories and fixed costs of the Distribution Licensee arising out of his obligation to supply.

Provided that the licensee shall provide such details in its annual filings.

(b) Tariff Design

- 1) The Commission may categorize consumers on the basis of their Load Factor, Power Factor, Voltage, total consumption of electricity during any specified period, or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required.
- 2) The Commission shall be guided by the provisions of National Electricity Policy and national Tariff policy while determining tariff and level of cross subsidy applicable to different categories of consumers:

Provided that the Commission shall progressively and gradually reduce the existing cross subsidies.

- 3) The Tariff Policy, 2016 prescribes that for achieving the objective that the tariff progressively reflects the cost of supply of electricity, the appropriate Commission would notify a roadmap such that tariffs are brought down within $\pm 20\%$ of the average cost of supply. In Himachal Pradesh, this target of $\pm 20\%$ of the average cost of supply has already been achieved, barring lifeline consumers who consume below a specified level.
- 4) The Commission shall indicate a roadmap for reduction and/or rationalization of cross subsidies in the MYT Orders for the Control Periods starting from 1st April, 2024 and thereafter, the roadmap shall be based on the approach of a gradual reduction/rationalisation in cross subsidy, guided by the principles laid down in the National Tariff Policy with a target that by the end of the Control Period i.e. by 31st March, 2029, the tariffs for the consumer categories, other than the lifeline category, are within (-)10% to (+)10% of the average cost of supply.
- 5) During the interim periods as mentioned in (4), the Commission shall, with an objective of broadly assessing, the trends and levels of category wise cost of supply for indicative purposes also carry out suitable exercise based on the available data, suitable assumptions and the concepts as may be considered appropriate. The Commission shall broadly follow the following methodologies for allocation of costs for the purpose of cost to serve calculations.

- (a) **Functionalization and classification of Cost** – Total cost shall be divided on the basis of functions performed such as power purchase, distribution etc. Each of the functionalized cost shall be further classified, based on its intrinsic nature into Demand related cost, Energy related cost and Customer related cost. Demand related costs shall generally be of fixed nature related to capacity creation and shall include interest on capital borrowing, depreciation etc. Energy cost shall be related to quantum of electricity consumption of consumer, such as fuel cost, interest on working capital, etc. Consumer related cost shall include operating expenses associated with meter reading, billing and accounting.
- (b) **Allocation of Costs -**
- (i) **Allocation of Demand Costs:** Demand costs various functions shall be allocated among consumer categories on the basis of average estimated demand of the consumer categories during different hours of the day and different seasons of the year;
- (ii) **Allocation of Energy Costs:** Energy related costs of Distribution functions shall be allocated to the consumer categories on the basis of incremental cost of power purchase by following merit order and block approach beyond the minimum common level of load factor:
- Provided that the cost of additional 5% power kept as contingent surplus in accordance with these regulations may be allocated to all the consumer categories in proportion to the total electricity consumption of each category:
- Provided further that the energy flows from HT system to EHT system during certain situations which are typically prevalent in Himachal Pradesh on account of small hydro projects shall also be duly considered while allocating the distribution losses to various categories of consumers.
- (iii) **Allocation of Customer Costs:** Customer related costs shall be allocated to consumer categories by assigning suitable weights duly taking into account to average consumption per consumer for various categories of consumers.
- 6) The consumers below poverty line who consume power below a specified level, say 60 units per month, shall receive a special support through cross subsidy.

PART VIII

MISCELLANEOUS

42. Power to amend

The Commission may, at any time, amend any provisions of these Regulations.

43. Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific Order, make such provisions not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

44. Repeal and savings

- (a) Save as otherwise provided in these Regulations, the HPERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011, are hereby repealed.

- (b) Notwithstanding such repeal, any proceedings before the Commission pertaining to the period prior to the commencement of the Control Period, including Petitions for True up of expenses, annual performance review, etc. shall be governed by HPERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011, as amended from time to time.

By the Order of the Commission

Sd/-
Chhavi Nanta, HPAS
Secretary

Annexure - I

METHODOLOGY FOR COMPUTATION OF T&D and AT&C LOSSES

Name of State				
Name of Distribution licensee				
S. No.	Particulars	Calculation	Unit	Year
1	Generation (own as well as any other connected generation net after deducting auxiliary consumption) within area of supply of Distribution licensee.	A	MU	
2	Input energy (metered Import) received at interface point of Distribution licensee's network	B	MU	
3	Input energy (metered Export) by the Distribution licensee at interface points of Distribution licensee .network	C	MU	
4	Total Energy available for sale within the licensed area to the consumers of the Distribution licensee.	$D=A+B-C$	MU	
5	Energy billed to metered consumers within the licensed area of the Distribution licensee.	E	MU	
6	Total Energy Billed	$G=E$	MU	
7	Amount billed to consumer within the licensed area of the Distribution licensee.	H	Rs	
8	Late payment Surcharge	I	Rs.	
9	Amount realized by the Distribution licensee out of the amount Billed at H#	J	Rs	
10	Subsidy Amount Received	K	Rs.	
11	Amount Realised on account of theft cases	L	Rs.	

12	Energy Realized on account of theft cases	$M = (L \times G) / H$	MU	
13	Collection Efficiency (%)	$N = (J - I + K + L / H + K + L) \times 100$ 0	%	
14	Energy Realized by the Distribution licensee.	$P = N \times G$	MU	
15	Distribution Loss (%)	$Q = \{(D - G) / D\} \times 100$	%	
16	AT&C Loss (%)	$R = \{(D - (P + M)) / D\} \times 100$	%	
<p># Amount received in the current year for the amount billed in the previous years should not be excluded in this head. However, subsidy received against the current year's sale should be considered in this head.</p>				
<p>Note: Audited figures must be taken from the Commercial Department of the utility (Billing and Revenue Section) for computing the AT&C losses.</p>				

Annexure - II

Useful life and rate of depreciation for distribution assets

The useful life and the rate of depreciation for various categories of the assets shall be as below.

1) Transformer

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1	Power Transformers	25	3.6
2	Distribution Transformers		
i	<100 kVA	15	6.0
ii	>=100 KVA	20	4.5

2) Substation Switchgear

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Circuit Breakers (33kv S/s),	15	6.0
2.	Circuit Breakers (LV)	10	9.0
3.	Isolators	10	9.0
4.	Bus couplers	15	6.0
5.	Lightning Arrestor	10	9.0

3) Other sub-station components

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Instrument Transformer	15	6.0
2.	Insulators	10	9.0
3.	Ring Main Unit	10	9.0
4.	SCADA	20	4.5

4) Capacitor Bank

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Capacitor Banks	20	4.5

5) Batteries

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Batteries	5	18.0

6) Wires and cables with support structure

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Overhead lines including supports:		
i.	11kV and above	25	3.6
ii.	LT lines	20	4.5
2.	Underground lines including joint boxes and disconnected boxes	25	3.6
3.	Cable Duct System	25	3.6

7) Meters

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Consumer Meters		
i.	Electronic meters	10	9.0
ii.	Smart meters	10	9.0
2	Interface/ Energy Audit Meters	10	9.0

8) IT equipment including software etc.

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	IT equipment including software		
i.	Information and Communication system including communication hardware	7	12.9
ii.	IT hardware (server equipment)	6	15.0
iii.	IT hardware (end use i.e. desktops / laptops)	3	30.0
iv.	IT software (amortization of software licensing costs OR inhouse developed software)	5	18.0

9) Safety equipment and tools

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Safety and Tools		
i.	Tools and Tackles (wire strippers, pliers, flash arc equipment, drill, hammer etc)	10	9.0
ii.	Personal protective equipment PPE (shoes, gloves, glasses, protective gear etc)	5	18.0

10) Buildings and civil engineering works

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Buildings and Civil Engineering Works of permanent nature		
i.	Office and showrooms	60	1.5
ii.	Buildings other than Offices & showrooms	30	3.0
iii.	Others	30	3.0
2.	Temporary structures and erections	1	90.0

11) Office furniture equipment and fixtures:

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Office furniture, equipment, fixtures, etc.		
i.	Office furniture and fittings	10	9.0
ii.	Office equipment	10	9.0
iii.	Internal wiring including fittings and apparatus	10	9.0
iv.	Street Light fittings	10	9.0

12) Self propelled vehicles

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Self propelled vehicles	5	18.0

13) Air Conditioning Plants

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Static	15	6.0
2.	Portable	5	18.0

14) Apparatus let on hire

Sl.	Particulars	Useful Life (in years)	Rate of Depreciation (%)
1.	Other than motors	5	18.0
2.	Motors	15	6.0