

**HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION
SHIMLA**

NOTIFICATION

No.HPERC/dis/479:

Shimla the 30th March, 2012

WHEREAS the Distribution Licensee incurs an extra power purchase cost vis-a- vis the one approved in the tariff order on account of cost of variation in the fuel surcharge rate of the power stations, incremental power purchase over and above or within the quantum approved by the Commission and revision of tariff of generating stations and tariff of interstate or intrastate transmission system as determined by the Appropriate Commission after the notification of the retail supply tariff;

AND WHEREAS as per the existing framework the aforesaid incremental power purchase adjustment is delayed by almost two years as it takes place at the true up stage resulting in adverse impact on the financial health of the Licensee and puts unnecessary burden on the consumers;

AND WHEREAS Clause 4.5(h)(4) of the Tariff Policy stipulates that uncontrollable costs should be recovered speedily to ensure that future consumers are not burdened with past costs. Uncontrollable costs would include (but not limited to) fuel costs, costs on account of inflation, taxes and cess, variations in power purchase unit costs including on account of hydro-thermal mix in case of adverse natural events;

AND WHEREAS in view of above it has become necessary to amend Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011;

AND WHEREAS the public objections/suggestions to amend the aforesaid regulations has been invited vide insertions in newspaper on 11th Feb., 2012 and the text of the proposed amendment stands published on 2nd Feb., 2012 in Rajpatra, Himachal Pradesh, and the objections and suggestions so received have been duly considered;

NOW, THEREFORE, the Himachal Pradesh Electricity Regulatory Commission, in exercise of powers conferred under section 61, 62 and 86 read with section 181, of the Electricity Act, 2003 (36 of 2003), and all other powers enabling in its behalf, and after previous publication, the Himachal Pradesh Electricity Regulatory Commission makes the following regulations further to amend the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2011, published in the Rajpatra, Himachal Pradesh, dated 2nd April, 2011, namely:-

REGULATIONS

1. Short title and commencement.- (1) These Regulations shall be called the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) (First Amendment) Regulations, 2012.

(2) These Regulations shall come into force from the date of their publication in the Rajpatra, Himachal Pradesh.

2. Addition of Regulation 12-A.- After regulation 12 of the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff), Regulations, 2011 (hereinafter called “the said regulations”), the following regulation 12-A shall be added namely: -

“12-A Treatment of Regulatory Assets (1) While determining ARR of the Licensee, the regulatory assets shall not be created as matter of course except where it is justifiable in accordance with the tariff policy and recovery of the such regulatory assets shall be time bound and within the period not exceeding three years.

Provided that the carrying cost of regulatory asset so created shall be allowed to the Licensee in the ARR.

(2) The amortization schedule corresponding to the regulatory asset, including the carrying cost, shall be prepared and put in effect along with creation of the regulatory asset.

(3) The carrying cost of the regulatory asset shall be in line with the State Bank Advance Rate (SBAR) for the tenure for which regulatory asset has been created.”

3. Addition of Regulations 14-A.- After regulation 14 of the said regulations the following regulations 14-A, shall be added, namely: -

“14-A Treatment of Incremental Power Procurement Cost

(1) **Identification of Incremental cost and process of recovery.-** (i) The distribution licensee shall recover the incremental cost incurred due to the following:-

- (a) Variation in fuel surcharge rate;
- (b) Incremental power required over and above or within the quantum of power purchase approved by the Commission;
- (c) Revision of tariff of generating stations, tariff of intra-State and inter-State transmission system as approved by the Appropriate Commission after notification of retail supply tariff.

(ii) The incremental cost on account of variation in fuel surcharge shall be computed and charged on the basis of actual variation in fuel surcharge rate

vis-a-vis the cost approved in the tariff order for each project and shall not be computed on the basis of estimated or expected variation in fuel surcharge.

(iii) The incremental cost due to:-

- (a) incremental power purchase on account of short term requirement of power by the distribution licensee over and above the quantum as approved by the Commission to be computed as the differential of the cost as approved in the tariff order and the actual purchases and/or
- (b) within the quantum approved by the Commission and if such requirement is on account of any factor beyond the control of the licensee (shortage/non-availability of fuel, snow capping of hydro resources inhibiting power generation in sources stipulated in the plan, unplanned/forced outages of power generating units or acts of God), to be computed as a differential of average power purchase cost and weighted average price of power exchange rates and bilateral market purchases.

shall be computed and charged.

Provided that the cost of such power shall be allowed at the weighted average price of power exchange rates of the Northern Region and bilateral market purchases for the same quarter.

Provider further that, the distribution licensee shall inform the Commission the purchase of power over and above approved quantum or increase in Short Term Power Purchase within the approved quantum, with all the supporting documents. Unless the Commission is satisfied that the aforesaid power is capped by weighted average price of power exchange rates and bilateral market purchases for the same quarter, it may, in the true up orders, disallow the cost which is over and above weighted average price of power exchange rates of the Northern Region and bilateral market purchases in the same quarter.

(iv) The incremental cost due to revision of tariff of generating stations and tariff of inter-State and/or intra-State transmission system as approved by appropriate Commission shall be computed and charged if such revision takes place after the notification of retail supply tariff by the Commission .

(v) The incremental cost incurred for the quarter due to incremental power purchase for reason stipulated in 14-A (1) shall be computed on the basis of formula given in sub-regulation (2) of regulations 14-A, and shall be charged to the consumer from the first month of the following quarter itself, in accordance with sub-regulation (3) of regulation 14-A without prior approval of the Commission.

(vi) The distribution licensee shall submit details of the incremental cost incurred and to be charged to all consumers for the entire quarter, along with

the detailed computations and supporting documents as may be required for verification by the Commission within first 28 days of the quarter end.

(vii) The Commission shall examine the incremental cost charged by the Distribution Licensee against supporting documents as submitted:

Provided that discrepancies, if any, shall be notified to the Distribution Licensee before the end of the second quarter:

Provided further that the distribution licensee shall adjust for the discrepancy notified by the Commission in third quarter's charge computation.

(viii) In case the distribution licensee is found guilty of charging unjustified adjustment cost to the consumers on regular basis, the Commission shall adjust the unjustified additional cost along with interest on the same.

Provided that the interest rate shall be in accordance with the State Bank Advance Rate (SBAR) as on the date on which the application of determination of tariff is made and benefits shall be passed on to the consumers.

(ix) The distribution licensee shall ensure appropriate accounting of Incremental Cost (IC) by upgrading the billing and IT software within three months from the notification of these regulations.

(2) Formula for computation of Incremental cost.- The formula for calculation of the incremental cost will be as under:-

Variables shall be in ₹ crores unless otherwise stated

$$IC_{q1} = C_{q1} + F_{q4} + A_{q3}$$

IC_{q1} = Incremental Cost incurred in quarter $q1$ to be recovered in quarter $q2$

Explanation:-

For the purpose of IC_{q1} , incremental power purchase cost shall include all the bills paid or bills received and payable, and credits received by the distribution licensee, to the suppliers of power, during the quarter $q1$ irrespective of the period to which they pertain. This shall include arrears and refunds, if any, not settled earlier.

C_{q1} = Incremental cost in quarter $q1$ due to factors specified under regulation 14-A(1)

F_{q4} = Carry forward factor for over-recovery / under-recovery of incremental cost of quarter $q3$ (IC_{q3}) to be recovered in quarter $q4$ of previous year but could not be fully recovered.

Explanation:-

For the purpose this regulation over recovery/ under recovery of incremental cost of a quarter (IC_q) shall be on account of the incremental cost adjustment ceiling as specified under clause (iii) of sub-regulation (3) of this regulation, if any, and the differential of amount worked out on the basis of estimated sales of the quarter and the recovery affected on account of actual sales in that quarter.

A_{q3} = Adjustments on the basis of the Commission's order pertaining to discrepancies, if any, in computation of IC_{q3} from previous year in accordance with the Clause (vi) of sub-regulation (1) of regulation 14-A and any other adjustment as ordered by the Commission

Similarly IC for respective quarters will be computed.

q = quarter of a year

(3) Computation of Incremental cost per unit (IC ₹/kWh) of electricity consumption.- (i) Calculation of IC ₹/kWh for a quarter shall be as per the following formula:

$$IC (\text{₹/kWh})_q = (IC_q / (\text{estimated sales within the State for the next quarter as approved by the Commission in the tariff order excluding the sales to BPL consumer category})) * 10$$

Where IC_q is in ₹ lakhs and Unit sales are in Million units

(ii) The per unit Incremental cost (IC₹/kWh) shall be recovered from all categories of consumers in addition to the tariff notified in the tariff order of the Commission except from the Below Poverty Line (BPL) consumers.

(iii) The incremental per unit adjustment to be carried out in a quarter shall be upto ceiling of 10% of average per unit power purchase rate for the year as per tariff order approved by the Commission and any under or over recovery shall be carried forward to the next quarter which shall further be subject to ceiling of 10% of average per unit power purchase rate.

Provided that the Commission, may by order, modify ceiling of incremental rates that can be recovered from the consumers on monthly basis.

Example: 1

- (a) Average per unit power purchase rate as per the tariff order of the Commission for a financial year = Say ₹ 3/kWh
- (b) 10% ceiling as per Regulation 14.A(3) (iii) = 30 p/kWh
- (c) Incremental cost of quarter q_1 (IC_{q1}) due to factor specified under regulation 14.A (1) & (2) = Say 75 crores

- (d) Estimated sales for the quarter q_2 excluding BPL consumers = =Say 2000 MUs
- (e) Per unit incremental cost i.e. IC_{q1} ₹/kWh chargeable from the consumers in quarter q_2 to recover incremental cost IC_{q1} in accordance with sub-regulation (2) and clause (i) of sub regulation (3) of regulation 14.A = 37.5 p/kWh
- (f) Per unit incremental cost recoverable after applying ceiling of 10% = 30p/kWh
- (g) Under recovery of IC_{q1} to be carried forward and to be recovered in quarter q_3 = 7.5 x2000 = 15 Crore
- (h) Incremental cost in quarter q_2 (IC_{q2}) due to factor specified under regulation 14.A (1) excluding the under recovery of IC_{q1} to be recovered in quarter q_3 = Say 25 crores
- (i) Incremental cost in quarter q_2 (IC_{q2}) in accordance with formula under regulation 14.A(2) including under recovery of IC_{q1} = 25+15= 40 crores
- (j) Estimates sales for quarter q_3 excluding BPL consumers = Say 2000 MUs
- (k) Per unit incremental cost IC_{q2} ₹/kWh for quarter q_2 to be recovered in quarter q_3 in accordance with sub-regulation (2) and clause (i) of sub regulation (3) of regulation 14.A including under recovery of IC_{q1} = 20 p/kWh

Example: 2

- (a) Average per unit power purchase rate as per the tariff order of the Commission for a financial year = Say ₹ 3/kWh
- (b) 10% ceiling as per Regulation 14.A(3) (iii) = 30 p/kWh
- (c) Incremental cost of quarter q_1 (IC_{q1}) due to factor specified under regulation 14.A (1) & (2) = Say 60 crores

- (d) Estimated sales for the quarter q_2 excluding BPL consumers = =Say 2000 MUs
- (e) Per unit incremental cost i.e. IC_{q1} ₹/kWh chargeable from the consumers in quarter q_2 to recover incremental cost IC_{q1} in accordance with sub-regulation (2) and clause (i) of sub regulation (3) of regulation 14.A = 30 p/kWh
- (f) Actual sales of quarter q_2 available in first two months of quarter q_3 = 1500 MU
- (g) Recovery effected in quarter q_2 @ 30p/kWh = 45 crore
- (h) Under recovery of IC_{q1} on account of differential between the estimated sales of q_1 and actual of quarter q_2 , to be carried forward and to be recovered in q_4 = 60 - 45=15 crores

Note:- Any over recovery on account of higher actual sales of quarter q_2 shall be considered as credit received by the licensee as specified in sub-regulation (5) of regulation 14-A.

iv) All consumers shall have to pay the incremental cost as determined under clause (i) of sub-regulation (3) of regulation 14-A.

Provided in case the State Government decides to provide subsidy on Incremental Power Purchase cost to any class or classes of consumers then, it shall do the same as per the provisions of Section 65 of Electricity Act, 2003. It shall be the responsibility of the licensee to seek prior approval of the State Government in this regard and maintain appropriate record of the same.

(v) The licensee shall within two months of the quarter end, provide information related to Incremental cost per unit of electricity consumption and under recovery/ over recovery so as to enable the Commission to expedite the process of validation of IC recovered from the consumers within a month for any discrepancy to be taken into account in the next quarter or as per Commission's directions.

(4) The variation in power purchase cost due to UI and other unapproved purchases shall not be covered under Incremental Power Purchase adjustment.

4. Amendment of regulation 23.- At the end of the first proviso of sub-regulation (I) of regulation 23 of the said regulations the words "and consumer contributions" shall be added.

By the order of the Commission

-Sd-
Secretary