

THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION
SHIMLA

NOTIFICATION

Shimla, the 22nd November, 2018

No. HPERC-F(1)-4/2018- 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 National Tariff Policy formulated under the said Act;

AND WHEREAS the Himachal Pradesh Electricity Regulatory Commission has framed the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 and has determined the Fees and Charges for the state load dispatch centre for the 2nd and 3rd MYT Control Periods from 2011 to 2014 and 2014 to 2019;

AND WHEREAS it has become necessary-

- (a) to review the existing provisions to align them with the change in the National Tariff Policy, 2016, change in methodologies of the central Commission, the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Sharing of Cost of Terminal Benefits of Personnel of Erstwhile Himachal Pradesh State Electricity Board and Successor Entities) Regulations, 2015, the Himachal Pradesh Electricity Regulatory Commission (Reporting System on Power Regulatory Accounting) Regulations, 2014,
- (b) to review the norms of operations of the Utilities like linking Interest on Working Capital with Marginal Cost of Funds based Lending Rate instead of base rate,
- (c) to address certain gaps and discrepancies in the regulations;

AND WHEREAS the Himachal Pradesh Electricity Regulatory Commission is making an exercise to determine the fees and charges for state load despatch centre for the next control period starting from 1st April, 2019 and keeping in view the regulatory developments after making of the aforesaid regulations and also the experience gained over the period, the National Tariff Policy and methodologies of the Central Commission, amongst others, it has also felt necessary to amend/ modify the existing regulations;

NOW, THEREFORE, in exercise of the powers conferred by clauses (zd), (ze) and (zf) of sub-section (2) of section 181, read with sections 61, 62 and 86, of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in this behalf, and after previous publication, the Himachal Pradesh Electricity Regulatory Commission makes the following amendments to the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011, published in the Rajpatra, Himachal Pradesh, dated 2nd April, 2011, namely:-

REGULATIONS

1. Short title and commencement. - (1) These regulations may be called Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) (Second Amendment) Regulations, 2018.

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

2. Amendment of regulation 3 – In regulation 3 of the Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 (hereinafter referred as “the said regulations”),-

(a) the existing clause (1) shall be renumbered as clause (1-a) and before the renumbered clause (1-a), the following clause (1) shall be inserted, namely:-

“(1) “**accounting statements**” shall mean for each financial year, the balance sheet, the profit and loss statement, the cash flow statement and the report of the statutory auditors together with notes thereto;”

(b) for clause (10), the following clause (10) shall be substituted, namely:-

“(10) “**change in law**” shall mean the occurrence of any of the following events:

- (i) enactment, bringing into effect or promulgation of any new Indian law, or
- (ii) adoption, amendment, modification, repeal or re-enactment of any existing Indian law, or
- (iii) 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
- (iv) change by any competent statutory authority in any condition or covenant of any consent or clearances or approval or licence available or obtained for the project, or
- (iv) coming into force or change in any bilateral or multilateral agreement/treaty between the Government of India and any other Sovereign Government having implication for the State Load Despatch Centre regulated under these regulations; ”

(c) after clause (18), the following clause (18-a) shall be inserted, namely:-

“(18-a) “**force majeure event**” shall mean, with respect to any party, any event or circumstance or combination of events or circumstances including those stated below, 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 avoided, and without limiting the generality of the foregoing, would include the following events:

- (i) acts of God including lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, or exceptionally adverse weather conditions, or
- (ii) any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action, or
- (iii) industry-wide strikes and labour disturbances having a wide impact;”

(d) the existing clause (19-a) shall be renumbered as clause (19-b) and before renumbered clause (19-b), the following clause (19-a) shall be inserted, namely:-

“(19-a) “**MCLR**” shall mean One Year Marginal Cost of Funds based Lending Rate;”

(e) after clause (21), the following clause (21-a) shall be inserted, namely:-

“(21-a) “**prudence check**” shall mean scrutiny of the reasonableness of 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;” and

(f) for clause (28), the following clause (28) shall be substituted, namely:-

“(28) the words and expressions occurring in these Regulations and not defined herein but defined in the Act or Grid Code or State Grid Code shall bear the same meanings as respectively assigned to them in the Act or Grid Code or State Grid Code and the words and expressions used herein but not specifically defined herein or in the Act or Grid Code or State Grid Code shall have the meanings generally assigned to them in the electricity industry.”

3. Substitution of regulation 8.- For existing regulation 8 of the said regulations, the following regulation 8 shall be substituted, namely:-:-

“8. Preparation of Accounting Manual and Regulatory Accounts.- (1) The Power System Operation Company/State Load Despatch Centre shall prepare Accounting Manual and Regulatory Accounts as per the Himachal Pradesh Electricity Regulatory Commission (Reporting System on Power Regulatory Accounting) Regulations, 2014. The State Load Despatch Centre shall submit the Regulatory Audited Accounts every year within seven months of the end of the Financial Accounting Year to the Commission.

(2) The Power System Operation Company shall maintain separate accounts and sub balance sheets for each of the businesses:

Provided that the Power System Operation Company shall follow a reasonable basis for allocation of all joint and common costs between the SLDC business and the other business and shall submit the Accounting Statements, as approved by its board of directors, to the Commission alongwith his application for determination of tariff:

Provided further that where the sum total of the direct and indirect costs of such other business exceeds the revenues from such other business or for any other

reason, no amount shall be allowed to be added to the aggregate revenue requirement on account of such other business.”

4. Insertion of Regulation 13-A.- after regulation 13 of the said regulations, the following regulation 13-A shall be inserted, namely:-

“13-A. Consumer Contribution, Deposit Work, Grant and Capital Subsidy.-

(1) The works carried out by the Power System Operation Company/State Load Despatch Centre after obtaining the estimated cost from the users shall be classified as Deposit Works.

(2) Capital works undertaken by the Power System Operation Company/State Load Despatch Centre utilising grants received from the State and Central Governments, including funds under various schemes shall be classified under the category of Grants.

(3) The works carried out with any other grant of similar nature or such amount received without any obligation to return the same and with no interest costs attached to such subvention shall also be classified as works performed through consumer contribution, deposit work, capital subsidy or grant.

(4) The expenses on such capital expenditure shall be treated as follows:-

(a) normative O&M expenses as specified in these regulations shall be allowed. However, any departmental charges taken by the Power System Operation Company/State Load Despatch Centre against deposit works and which are executed departmentally shall be adjusted in the employee cost;

(b) the debt to equity ratio shall be considered in accordance with Regulation 17, after deducting the amount of financial support provided through consumer contribution, deposit work, capital subsidy or grant;

(c) depreciation to the extent of works performed through consumer contribution, deposit work, capital subsidy or grant shall not be allowed as specified in Regulation 22;

(d) provisions related to return on equity, as specified in Regulation 20, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant;

(e) provisions related to interest and finance charges, as specified in Regulation 21, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.”

5. Amendment of regulation 14.– In regulation 14 of the said regulations-

(a) for existing clause (b) of the sub- regulation (1), the following clause (b) shall be substituted, namely:-

“(b) the Commission shall review actual capital investment vis-a-vis approved capital investment. Variations in Capitalisation 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;” and

(ii) at the end, the following sub- regulation (5) shall be added, namely:-

“(5) The Power System Operation company/State Load Despatch Centre, for the approved true-up of any year over and above that approved in the Tariff Order for that year, shall be entitled to a carrying cost at one (1) Year weighted average State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period of the relevant Year plus 300 basis points and for any true-up resulting in less than that approved in the Tariff Order for that year, the carrying cost shall be recovered at the same rate.”

6. Substitution of regulation 16.– For existing regulations 16 of the said regulations, the following regulation 16 shall be substituted, namely:-

“16. Additional Capitalisation.- (1)The capital expenditure incurred or projected to be incurred after the date of commercial operation may, in its discretion, be admitted by the Commission, subject to prudence check:

(2) The capital expenditure incurred on the following counts after the cut off date may, in its discretion, be admitted by the Commission, subject to prudence check:-

- (a) liabilities to meet award of arbitration or for compliance of the order or decree of a court;
- (b) change in law or compliance of any existing law;
- (c) any expenses to be incurred on account of need for higher security and safety of the capital asset as advised or directed by appropriate Government agencies or statutory authorities responsible for national security/internal security;
- (d) any liability for works executed prior to the Cut-off Date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;
- (e) any liability for works admitted by the Commission after the Cut-off Date to the extent of discharge of such liabilities by actual payments;
- (f) any additional capital expenditure, which has become necessary for efficient operation of the SLDC. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural

calamities, obsolescence of technology, up-gradation of capacity for the technical reasons:

Provided that any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. bought after the date of commercial operation shall not be considered for additional capitalization for determination of fees and charges:

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

7. Amendment of regulation 21.– For existing sub- regulation (2) of regulation 21 of the said regulations, the following sub- regulation (2) shall be substituted, namely:-

“(2) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project for State Load Despatch Centre:

Provided that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:

Provided further that if the Power System Operation Company/State Load Despatch Centre does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 200 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.”

8. Substitution of regulation 23.– For existing regulation 23 of the said regulations, the following regulation 23 shall be substituted, namely:-

“**23. Interest on Working Capital.**- (1) The working Capital shall cover: -

- (a) O&M expenses for one month;
- (b) receivables for two months State Load Despatch Centre charges as approved by the Commission;
- (c) maintenance spares @ 15% of O&M Expenses for one month.

(2) Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 300 basis points.

(3)The interest on working capital shall be payable on normative basis notwithstanding that the Power system Operation Company/ State Load Despatch Centre has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.”

By order of the Commission

Sd/-
Secretary