BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION SHIMLA

Petition No:	**189 of 2026**
Date of Filing:	02.07.2026
Arguments Heard on:	05.11.2026
Decided on:	**19.11.2026**

CORAM

SHASHI KANT JOSHI
MEMBER-cum-CHAIRMAN

In the matter of:-

The Himachal Pradesh State Electricity Board Ltd.
Vidyut Bhawan, Shimla-171004

…….Petitioner

Miscellaneous Application under the HPERC (Multi Year Wheeling Tariff and Retail Supply Tariff), Regulations, 2023 for levy of Fuel and Power Purchase Adjustment Surcharge (FPPAS) for approval of differential claim of FPPAS for the month of March, 2026.

Present:-

Sh. Rajesh Kashyap, Ld. Counsel with Sh. Kamlesh Saklani, Authorised Representative for the Petitioner.
Sh. Rakesh Bansal, Authorised Representative for the CII, PIA, KACCI and Industrial Consumers.
Sh. Vikas Chauhan, Ld. Counsel for the HPPTCL.
Sh. Tajender Joshi, Ld. Counsel for M/s Veer Plastics Pvt. Ltd.
Sh. Sanjay Verma, Authorised Representative for the NIA/ NFA/ BBNIA/ Winsome.

ORDER

This Petition has been filed by the Himachal Pradesh State Electricity Board Limited (HPSEBL/ Petitioner for short) under Section 86(1)(b) of the Electricity Act, 2003 ('Act' for short) read with Regulation 26 of the Himachal Pradesh Electricity Regulatory Commission (Multi Year Wheeling Tariff and Retail Supply Tariff) Regulations, 2023 ('MYT Regulations, 2023' for short) seeking approval of differential claim of Fuel and Power Purchase Adjustment Surcharge ('FPPAS' for short) for the month of March, 2026.

2. It is averred that as per Section 86(1)(b) of the Electricity Act, 2003, the Commission is empowered to regulate electricity purchase and the procurement process of Distribution Licensees, including all adjustments and pass-through related to power purchase cost variations. Also under Section 86(1)(e) of the Act, the Commission is empowered to determine the tariff for retail sale of electricity within the State of Himachal Pradesh which includes approving surcharges such as FPPAS that form part of the effective consumer tariff.

3. As per the Petitioner, the Commission, vide notification No. HPERC-F(l)-67/2023 dated 29.11.2023, has notified the MYT Regulations, 2023 wherein Regulation 26 provides for levy of FPPAS which is applicable w.e.f. 01.04.2024.

4. It is averred that the FPPAS is a regulatory mechanism established under Regulation 26 of the MYT Tariff Regulations, 2023, operative with effect from 01.04.2024. The mechanism recognizes the inherent volatility in power purchase costs faced by a Distribution Licensee arising from seasonal and hydrological variations in hydropower generation, fluctuations in thermal power and exchange market prices, changes in transmission charges levied by the Central Transmission Utility and other agencies, retrospective revisions and arrears in power purchase bills, and force majeure or regulatory events requiring unplanned power procurement.

5. As per the Petition, pursuant to MYT Regulations, 2023, FPPAS is being levied by the Petitioner for FY 2025-26 based on the actual power purchase done as per the demand of Consumers in the State. The details of month-wise power purchase data for FY 2025-26 is attached as Annexure-A of the Petition.

6. In accordance with the Regulation 26 of the MYT Regulations, 2023, the Petitioner had computed FPPAS for FY 2025-26 and accordingly, the month-wise details of total power purchased and Transmission Charges is as under:

Table No. 1: Month-wise details of total power purchased and Transmission Charges for FY-26

Month	Total Power Purchase (MU)	Power Purchase Cost (Rs. Cr.)	Total Power Purchase Cost (Rs. Cr.) inc. Arrear	Rs/Unit	Approved Rs/Unit	Transmission Charges (Rs. Cr.)	Approved Transmission Charges (Rs. Cr.)
April	1026.114	264.266	264.27	2.58	2.89	55.73	69.08
May	1372.32	364.84	364.84	2.66	2.89	44.29	69.08
June	1593.19	379.15	420.74	2.64	2.89	61.38	69.08
July	1862.26	483.77	497.44	2.67	2.89	41.62	69.08
August	1855.33	478.79	488.73	2.63	2.89	36.31	69.08
September	1639.91	411.05	415.83	2.54	2.89	104.99	69.08
October	1163.25	337.35	327.98	2.82	2.89	38.80	69.08
November	807.84	264.14	302.29	3.74	2.89	44.94	69.08
December	768.80	276.30	278.60	3.62	2.89	102.73	69.08
January	753.18	303.51	308.34	4.09	2.89	63.12	69.08
February	680.51	257.32	367.82	5.41	2.89	50.92	69.08
March	843.22	309.60	574.42	6.81	2.89	133.95	69.08
Total	**14365.93**	**4130.10**	**4611.30**	**3.21**	**2.89**	**778.78**	**828.96**

7. The Petitioner, being a regulated entity, had levied FPPAS for the month of February, 2026 as per the Regulation 26 of the MYT Tariff Regulations, 2023, for FY 2025-26 as calculated under:

Table No. 2: FPPAS calculation for February, 2026

Particulars	Value
ABR/Average Cost of Supply (Rs./KWh)	6.76
FPPAS in %	20.51
Excess/deficit in Power Purchase cost till February, 2026	128.83

Excess/deficit in Transmission cost till February, 2026	-115.05
Actual amount to be recovered through FPPAS in February	13.78
Sale for month of February, 2026 (as per SAP)	1044.27
PFPPAS to be levied	0.132

8. It is averred that the power purchase bills for the month of March, 2026, total amounting to Rs. 574.42 Cr., are also inclusive of arrears to the tune of Rs. 264.81 Cr., which have to be recovered through FPPAS automatically in accordance with Regulation 26 of the MYT Regulations, 2023 and computed in accordance with Regulation 26(1)(g) & 26(2) of the ibid Regulation, either by the Distribution Licensee or by the way of true-up Order passed by the Commission. The calculation of FPPAS for the month of March, 2026 is as under:

Table No. 3: FPPAS for March, 2026

Fuel and Power Purchase Additional Surcharge Calculations, March, 2026.	
ABR/Average Cost of Supply (Rs./KWh)	6.76
FPPAS for March, 2026 in % (as per formula prescribed in Regulation 26(2))	57.55
Excess/deficit in Power Purchase cost till March, 2026 (Rs. Crores)	459.55
Excess/deficit in Transmission cost till March, 2026 (Rs. Crores)	-50.18
Sale for month of February, 2026 (as per SAP)	1044.27
PFPPAS to be levied	0.132

Fuel and Power Purchase Additional Surcharge Calculations, March, 2026.	
FPPAS recovered during FY 2025-26 till February, 2026 (Rs. Crores)	13.78
Actual amount to be recovered through FPPAS in March, 2026 (Rs. Crores)	395.59
Sale for month of March, 2026 (as per SAP in MUs)	981.86
FPPAS to be levied (Rs./Unit)	4.029
FPPAS to be levied as per sub-Regulation g(ii) of Regulation 26 , if monthly FPPAS %age ≥ 5% (Rs./Unit)	0.338
Balance FPPAS to be recovered through True up (Rs./Unit)	3.691

9. It is averred that total power purchase including transmission charges for the month of March, 2026 was compiled, which was over and above the average power purchase as approved by the Commission. Therefore, the Petitioner had levied FPPAS in accordance with the Regulation 26 of the MYT Regulations, 2023 for FY 2025-26 (Sales circular for the months of February & March, 2026 is attached as Annexure-B of the Petition). The FPPAS for the month of March, 2026 has been computed at 57.55% as per formula specified in Regulation 26(2) of the MYT Regulations, 2023 which translates to Rs. 4.029 per unit based on the provisions/methodology as prescribed in these ibid Regulations, whereas the approved Average Power Purchase Cost

(APPC) for FY 2025-26 is Rs. 2.89 per unit as approved by the Commission in the Tariff Order dated 28.03.2025.

10. It is averred that in accordance with Regulation 26(l)(g)(i) of the ibid Regulations, only 5% FPPAS is recoverable which translates to Rs. 0.338 per unit which is recoverable automatically against the consumption for the month of March, 2026, while the differential FPPAS of Rs. 3.691 per unit amounting to Rs. 362.40 Crore has to be recovered as carried forward in accordance with Regulation 26(1)(g)(ii') after the approval of the Commission.

11. In view of the above, the Petitioner has prayed the Commission to allow it to recover the balance amount of Rs. 362.40 Crore as carry forward against the consumption for the month of March, 2026 in accordance with Regulation 26(1)(g)(ii) of MYT Tariff Regulations, 2023.

OBJECTIONS/SUGGESTIONS OF THE STAKEHOLDERS

12. During the course of the proceedings, the Commission gathered that since the Petition/Application relates to the recovery of FPPAS and will have an impact on the tariff of the electricity Consumers and accordingly, the Commission sought comments/objections from major stakeholders across the State and directed them to file a reply in the matter.

13. Objections/suggestions have been received from various stakeholders i.e. M/s Vardhman Textile Ltd., the BBN Industries Association (BBNIA), the Confederation of Indian Industry (CII) Himachal Pradesh, the Parwanoo Industries Association (PIA), the Kala Amb Chamber of Commerce and Industries (KACCI), M/s Indorama India Pvt. Ltd., M/s Kundlas Loh Udyog Ltd., M/s Vardhman Ispat Udyog, M/s Prime Steel Industries Pvt Ltd., the Nalagarh Industries Association (NIA), M/s Precision Moulds & Dies Pvt. Ltd., M/s Shree Siddi Vinayak Forging Pvt. Ltd. and M/s Veer Plastics Pvt. Ltd. and have been taken on record.

OBJECTIONS/SUGGESTIONS OF M/s VARDHMAN TEXTILE LTD.

14. M/s Vardhman Textile Ltd. (VTL for short) has submitted that the electricity tariff has been the sole advantage of the State in ensuring the competitiveness of the Industry in the State against other States. However, this advantage also has been fading away with more and more use of solar energy by other States like Punjab. The Industry has been pleading with the Government of Himachal Pradesh (GoHP) to help the Industry in terms of competitive power tariff and price of the same should not be increased. Therefore, this is VTL's foremost submission that no increase on this account should be allowed to the Discom.

15. VTL has further submitted that the fuel adjustment surcharge provision has come in existence to ensure that any change in the fuel cost due to uncontrollable factors like inflation, change in basic fuel prices between the two Aggregate Revenue Requirement (ARR) period can be adjusted during the year only to help Discom to avoid any cash crunch mainly. Never, in the country fuel cost adjustment surcharge has been so draconically even suggested by any Discom, as being done by the HP Discom. If there are any significant changes, the same must be addressed during the true-up exercise, to be taken next year along with tariff revision proposal next year. Therefore, VTL has prayed the Commission that fuel cost adjustment surcharge should not be allowed at all. VTL has rasied the following issues:

Failure to Meet Mandatory Transparency and Publication Rules

16. The Petition filed by the HPSEBL is legally invalid and must be disallowed as it seems to be a total failure to comply with mandatory transparency Regulations. Under the MYT Regulations, 2023, the utility is strictly required to publish its exact formulas, and monthly recovery data on a website prior to seeking approval. By keeping this critical information hidden, the Petitioner prevents consumers from verifying the charges claimed are fair or not. Furthermore, because the utility failed to publish these surcharges timely with a valid justification, therefore it has legally forfeited its right.

Lack of Verifiable Data and Cost Breakdown

17. VTL has strongly challenged the request for fuel and power cost adjustments because the utility's calculation is unclear, unverified, and completely lacks supporting data. The HPSEBL has failed to provide a clear, step-by-step itemized breakdown of the surcharge, making it unable to determine what actually caused the power procurement cost so high. Consumers cannot distinguish whether these hikes stem from fuel prices, transportation costs, transmission fees, or historical financial adjustments. To make an honest claim, the utility may be asked to share all raw data i.e. variable of FPPAS and clarify arrears considered in power purchase cost.

Financial Mismanagement and Poor Power Planning

18. As per VTL, from the data provided by the Petitioner, it seems that the Petitioner has failed to anticipate its winter Power Demand properly as its own electricity generation has dropped sharply in the month of March 2026 as a result the power purchased is 85.87% (843.22 MU) as against the sale of 981.86 MU means thereby the own generation is 14.13% only, which clearly indicates a steep decrease in own generation. To mitigate the demand, utility had to procure expensive open-market power @ Rs. 6.81 per unit as against the approved power purchase rate of Rs. 2.89, which is Rs. 4.029 per unit expensive. Passing these unplanned FPPAS onto Consumers forfeiting the

Regulations and approved Tariff Order FY 2026-27 which strictly limits FPPAS to 5% of Average Billing Rate (ABR). Since this financial burden had incurred because of poor planning of the petitioner so, therefore it is prayed to the Commission that it should not be passed on to the Consumers.

19. VTL has submitted that in light of these statutory and operational violations, the Commission must protect Consumer interests by forcing the HPSEBL to absorb these financial burdens out of its own pocket. The utility must not be allowed to pass the burden of its expensive market purchases onto the public. VTL prayed the Commission to ask the Petitioner to explain as to why it had skipped more cost-effective options and chose to buy expensive short-term power. Ultimately, the current Petition may be rejected until the utility provides a transparent, legally compliant, and fully audited accounting of its expenses. Based on the issues raised above, VTL has requested the Commission to look into the matter and ask the Petitioner to share its calculations openly on a public domain. It has been further prayed that additional FPPAS as claimed by the utility may be capped to 5% of ABR only in order to protect the Consumers' interests.

OBJECTIONS/SUGGESTIONS OF BBN INDUSTRIES ASSOCIATION

20. The BBN Industries Association (BBNIA for short) has submitted that it cannot understand the steep increasing in differential of power

purchase as compared to approved rate November onwards with a steep increase of Rs. 6.81 per unit compared to Rs. 2.89 of approved rate. It is averred that the average Day Ahead Market (DAM) price of Indian Electricity Exchange (IEX for short) for the year 2025-26 is Rs. 3.86 per unit and was Rs. 4.20 in the month of March at IEX whereas HPSEBL has purchased the power at Rs. 6.81, which is beyond understanding.

21. The Month-wise differential as compared to approved price has been given in the table below

November	29%
December	25%
January	41%
February	87%
March	135%

As evident from above increase, it can be concluded that there is no control of power purchase, by-passing the sanctity of tariff order as well as Regulation 26 of 2023, which estimated the difference of power purchase price around 5%. It is complete inefficiency of entity and responsibility should be fixed for such serious laps.

22. BBNIA also finds it surprising to note the decline in sale in the month of March to 981.86 million units, which as from the Table Number

1 of the petition, it is evident that the sale done by the HPSEBL up to more than 1862.26 million unit in the month of July 2025.

23. The BBNIA has added that the calculation figure at Table No. 3 is not corresponding to figure shown in Table No. I.

24. As per the BBNIA, it is shocking to note that total power purchase of 843.22 million units in the month of March 2026 against the sale of 981.86 million units, whereas the sale figure of other months till January 2026 is not available to compare with purchase figure.

25. As per the BBNIA, the table annexed with Petition does not specify any reason for doing or not doing purchases from the approved sources as approved in the Tariff Order.

26. It has been further mentioned that the HPSEBL has not shared the generation figures with respect to approved budget.

27. TheBBNIA has pointed out that as per Hon'ble Supreme Court ruling, there is requirement of a Law Member in the State Electricity Regulatory Commissions (SERCs). In view of vacant position of Law Member in HPERC, hearing scheduled in this matter be deferred.

28. In view of the facts above, the BBNIA has prayed the Commission not to let the entity misuse provision of Regulation 26 of 2023 to cover up their inefficiencies and load it on Consumers and to fix up the responsibility for such abnormal increase in purchase price without any advisory/ Petition to the Commission till July 2026. BBNIA has prayed

that the steep decline in sale of power should be questioned and proper explanation be called and directions be issued to the HPSEBL to refund FPPAS charged on Industrial Consumers for February and March2026.

OBJECTIONS/SUGGESTIONS OF CONFEDERATION OF INDIAN INDUSTRY (CII) HIMACHAL PRADESH, PARWANOO INDUSTRIES ASSOCIATION (PIA), KALA AMB CHAMBER OF COMMERCE AND INDUSTRIES (KACCI), M/s INDORAMA INDIA PVT. LTD., M/s KUNDLAS LOH UDYOG LTD., M/s VARDHMAN ISPAT UDYOG, M/s PRIME STEEL INDUSTRIES PVT LTD.

29. Sh. Rakesh Bansal, Authorized Representative of the above stakeholders has submitted that the Miscellaneous Petition is Legally Non-Maintainable and Void *ab-initio*. The Petitioner has approached this Commission through a standalone Miscellaneous Petition to recover a massive differential claim of Rs. 362.40 Crores as a "carry forward" FPPAS against the consumption for the single month of March 2026. This standalone approach is in gross violation of the MYT Regulations, 2023, and parent Central Statutes on the following grounds:

Unlawful Bypass of the Annual true-up Process (Violation of Regulation 26(1)(g)(ii)):

30. The Petitioner has explicitly relied upon Regulation 26(1)(g)(ii) in its prayer to justify this standalone Petition. However, the Petitioner has

selectively ignored the mandatory concluding directive of the very regulation it relies upon. The regulation explicitly mandates that:

" ... 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;"

31. By filing a standalone Petition for immediate recovery, the Petitioner is unlawfully attempting to bypass the statutory Annual true-up process, which requires a rigorous prudence check. The FPPAS mechanism is designed for minor, routine monthly fluctuations, not for dumping massive, accumulated historical deficits. Therefore, the differential claim must be compulsorily deferred to the strict prudence check of the Annual true-up process.

Violation of Statutory Timelines, 5% Cap, and Tariff Cycle Boundaries:

32. The Petitioner's attempt to "carry forward" the unrecovered differential into the subsequent financial year via a standalone petition is legally impermissible. As per Regulation 26(1)(c), the FPPAS for the month of March 2026 can only be levied in the $(n + 2)^{th}$ month, i.e., May 2026. Under Regulation 26(1)(g)(i), this automatic pass-through is strictly capped at 5% of the approved variable tariff.

33. Crucially, Regulation 26(1)(e) explicitly prohibits the carry forward of any FPPAS beyond the current financial year, mandating that "The

carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier". Because the March 2026 consumption marks the absolute end of the FY 2025-26 tariff cycle, any unrecovered differential FPPAS automatically hits a statutory dead-end for monthly carry-forward mechanisms. Therefore, the Petitioner has no legal authority to seek immediate recovery of the remaining Rs. 362.40 Crores, and this amount must be strictly subsumed into the comprehensive Annual true-up exercise for FY 2025-26.

Violation of Section 62(4) of the Electricity Act, 2003:

34. The present Petition attempts an un-statutory Mid-Year Tariff hike under the guise of an interim FPPAS application. Section 62(4) of the Act strictly mandates that no tariff or part of any tariff may ordinarily be amended more frequently than once in any financial year, except in respect of changes expressly permitted under the terms of a specified fuel surcharge formula. Loading un-formulaic multi-year historical arrears and accumulated deficits into a standalone petition outside the routine automatic formula violates the statutory bar placed by Section 62(4) of the central parent Act.

Fraudulent Use of Arrears in FPPAS:

35. Sh. Bansal has submitted that an FPPAS mechanism is strictly designed to recover minor, uncontrollable variations in actual monthly

fuel/power costs. It is entirely illegal to use an FPPAS Petition to suddenly recover multi-year, historical accumulated arrears resulting from retrospective regulatory tariff revisions. As explicitly detailed in Table No. 1 of the Petition, the total Power Purchase Cost claimed for the single month of March 2026 is Rs. 574.42 Crores. Furthermore, the Petitioner has made a damning admission in Paragraph 8 of the Petition stating:

"That the power purchase bills for the month of March, 2026 total amounting to Rs. 574.42 Cr. are also inclusive of arrears to the tune of Rs. 264.81 Cr . ... "

36. As per him, this dumping of past arrears artificially inflates the average cost of supply for March to an absurd Rs. 6.81 per unit. The official regulatory records indicate that the Petitioner is routinely burdened with massive historical arrears, such as:

• CGS Arrears: Retrospective revisions by CERC, including sudden arrear invoices from NTPC plants amounting to approximately Rs. 89 Crores.

• State Hydro Project Arrears: Past arrears paid due to delayed tariff determinations by this Commission, including Rs. 71 Crores towards the Sawra Kuddu HEP and Rs. 27.14 Crores towards the Neogal HEP.

• Transmission Arrears: Accumulated arrear invoices raised by HPPTCL for delayed tariff approvals of transmission assets, such as the Pandoh-Panchkulla, Wangtoo-Urni, and Phojal lines.

Violation of Established Legal Principles Governing FPPCA/FPPAS:

37. As per Sh. Bansal, the Appellate Tribunal for Electricity (APTEL) has consistently held across various landmark Judgments that Fuel and Power Purchase Adjustments are meant purely for real-time, incremental operational fuel / power cost variations of the specific billing month (N). Ingesting Rs. 264.81 Crores of multi-year historical arrears into a single month's FPPAS calculation is illegal, as prior period adjustments must strictly be audited and trued-up during the comprehensive Annual true-up process. By hiding these historical, multi-year regulatory adjustments inside the mathematical formula for a single month's FPPAS, the Petitioner is orchestrating a severe tariff shock. The Commission has been prayed to immediately strip all such historical generation and transmission arrears from the FPPAS calculation and strictly defer them to the Annual true-up exercise.

"Artificial Deficit" and State Government Power Allocation:

38. As per Sh. Bansal, the Deficit is "Artificial" and Manufactured by State Government Circumvention. He has submitted that a major factor driving this massive deficit is a deliberate fiscal strategy by the State Government (GoHP) to divert its share of free/ equity power away from

the Petitioner-which is a wholly-owned State Government Undertaking-for commercial sale on the open market. Despite owning the Petitioner company, the GoHP explicitly withdrew a massive 2,000 MUs of equity power from SJVNL's Nathpa Jhakri and Rampur projects to sell it outside the state through its Directorate of Energy. By withdrawing this power from its own utility, the GoHP forced the Petitioner into the volatile short-term market (IEX/PXIL) to cover the deficit, as evidenced by the massive "Contingent purchase through Power Exchanges" logged in Annexure-A of the Petition. The State Government is effectively using the power exchanges to monetize its power, forcing its own distribution company to buy replacement power at exorbitant contingency rates. If the GoHP insists on trading this power for fiscal profit at the expense of its own utility's financial health, the resultant financial gap must be bridged by an upfront cash subsidy to the Petitioner under Section 65 of the Electricity Act, 2003, rather than through a punitive FPPAS surcharge passed onto the consumers.

The Gross Inefficiencies, Lack of Prudent Planning, and Unjustified Unscheduled Interchange (UI) / Deviation Settlement Mechanism (DSM) Purchases:

39. As per Sh. Bansal, Rs. 362.40 Crore claim is heavily padded by the Petitioner's operational inefficiencies and grid indiscipline. The

Commission has been prayed to strike down these costs on the following grounds:

• Penal DSM/UI Charges: The Petitioner routinely draws power under UI/ DSM at exorbitant rates due to poor load forecasting. In past true-ups, the Commission explicitly disallowed 50% of sustained deviation charges due to the "poor planning of Power procurement". Consumers cannot be burdened with FPPAS to fund the utility's grid indiscipline.

• Wastage of Funds on Surrendered Plants : The Petitioner is actively bleeding consumer funds by paying massive fixed costs for surrendered gas-based stations (Anta, Auraiya, and Dadri). A perusal of Annexure-A of the Petition for the months under review shows exactly 0.00 MUs drawn from these plants, yet arrears and fixed charges are continuously booked.

• Violation of Merit Order Dispatch: The Petitioner routinely purchases ultra-costly power, ignoring cheaper alternatives. Regulatory records confirm procurement from high-cost stations like Tanda-II, Meja, Jhajjar, NUPPL Ghatampur, and Kishanganga.

Retrospective FPPAS Acts as an "Open Access Trap" and Nullifies Statutory Rights:

40. As per Sh. Bansal, the Petitioner's attempt to levy a massive retrospective surcharge completely deprives large industrial consumers of their statutory right to Open Access under Section 42 of the Act. The

Petitioner itself has officially admitted that industrial consumers actively monitor rates and migrate to Open Access when tariffs are uncompetitive. By deliberately hiding Rs. 264.8l Crores of arrears inside the March 2026 billing cycle and delaying the FPPAS claim, the Petitioner provided a false, artificially low price signal. Had the Petitioner transparently disclosed an exorbitant cost of supply of Rs. 6.81 per unit in real-time, Industrial Consumers would have exercised their statutory right to procure cheaper power from the power exchanges. Because Open Access cannot be availed retrospectively, the Petitioner's delayed claim functions as an illegal trap.

Prevention of Illegal Cross-Subsidization of Unrecovered FPPAS:

41. Sh. Bansal has further submitted that the Petitioner has mathematically computed the FPPAS by utilizing the total State-wide energy sales across all consumer categories as the denominator. For instance, in Table No. 3 of the Petition, the Petitioner explicitly uses 1,044.27 MUs as the "Sale for month of February, 2026" and 981.86 MUs as the "Sale for month of March, 2026" to dilute the per-unit surcharge. However, it is a matter of record that the Petitioner has selectively refrained from recovering this FPPAS from certain Consumer categories, including Domestic and Agriculture. The Industrial Consumers cannot be forced to cross-subsidize and bear the financial burden of the surcharge mathematically attributed to these exempted

categories. The Commission is prayed to direct the Petitioner to submit a category-wise reconciliation of the actual FPPAS billed, and deduct any unrecovered portion from the Rs. 362.40 Crore claim.

Forfeiture of Carrying Costs (Interest):

42. Sh. Bansal has submitted that in accordance with established regulatory principles, the failure to compute and charge the FPPAS within the prescribed time-bound monthly windows (N + 2) due to the Petitioner's administrative delay results in the forfeiture of the utility's right to claim carrying costs (interest) on the under-recovered amount. The Consumers cannot be penalized with compounding interest caused by the utility's procedural default and administrative delay.

Violation of the National Tariff Policy (Prevention of Tariff Shock):

43. Sh. Bansal has submitted that the Petitioner's prayer to dump an accumulated Rs. 362.40 Crore burden onto the current electricity bills contravenes Clause 8.2.2 of the National Tariff Policy, which places a mandatory duty on Regulatory Commissions to prevent sudden "tariff shocks" to Consumers. The proper statutory forum to treat large accumulated variances is the Annual true-up, where the Commission can conduct a full prudence check and smooth out legitimate costs across multiyear control periods.

In view of the facts and circumstances stated above, Sh. Bansal has prayed the Commission to Dismiss the present Miscellaneous Petition as non-maintainable under Regulation 26(1)(g)(ii) of the MYT Regulations, 2023 and Section 62(4) of the Electricity Act, 2003, and direct the Petitioner to claim any legitimate differential amount strictly during the Annual true-up exercise after a strict prudence check and comprehensive auditing of the actual power purchase costs and revenues incurred by the Petitioner during FY 2025-26. He has further prayed the Commission to direct the Petitioner to submit a full breakdown of its FPPAS claim and disallow100% of historical arrears, penal DSM/UI charges, sustained deviation charges, and fixed costs paid to surrendered gas based stations (Anta, Auraiya, Dadri) as well as for a category-wise reconciliation of the FPPAS billed and strictly prohibiting the cross-subsidization of any unrecovered FPPAS from Domestic/Agricultural categories onto the Industrial Consumers. He has also requested the Commission to direct the State Government to provide a subsidy under Section 65 of the Act to bridge the "artificial deficit" caused by its withdrawal of royalty/equity power from the state utility. He has also requested the Commission to disallow any carrying costs/ interest claims on the deferred amount resulting from the Petitioner's administrative delay.

OBJECTIONS/SUGGESTIONS OF NALAGARH INDUSTRIES ASSOCIATION (NIA) and M/s PRECISION MOULDS & DIES PVT. LTD. (PMD)

44. The NIA and the PMD have submitted that the Miscellaneous Application filed by HPSEBL ought to be deferred in the absence of a Member (Law) and the PMD have referred to the landmark ruling on the requirement of a Law Member in SERC/CERC delivered by the Hon'ble Supreme Court of India on 12th April, 2018 in ***State of Gujarat & Ors V. Utility User's Welfare Association & Ors (Civil Appeal No. 14697 of 20 15)***. The Hon'ble Apex Court noted that because the Commission functions as a quasi-judicial body, a legal mind is essential for proper order within the four corners of Law/Statute/Regulations and necessary policies framed under the Act. Consequently, the Apex Court barred the CERC from holding· hearings, reserving orders etc. The stalemate continued till mid - December 2020 after the Central Govt. completed the process of appointment of the Law Member. It has been prayed that the hearing scheduled in the matter may be postponed till the joining of Member (Lawl). Nonetheless, as per information available in the public domain, the State Govt. has already started the process of appointment of Member (Law) in the HPERC.

45. Also to afford some more time to study the Petition including power sourced from a large number of generator/trader to estimate the changes

in power purchase cost, whether negative or positive as well as verify the cost of transmission (transmission charges) vis-a-vis those approved by this Commission.

46. NIA and the PMD have prayed the Commission to direct HPSEBL to provide detailed computation including the underlying data of power purchase, month-wise transmission/distribution losses, reasons for procuring expensive short term power as well as the computational details as per the FPPAS formula in vogue.

47. NIA and the PMD have submitted that as per the MYT Regulations, 2023, the Licensee (HPSEBL) 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. However, a perusal of the Petition establishes the fact that the FPPAS Regulations as appearing in the MYT Regulations, 2023 remains largely un-complied. Consequently, the Commission may reject the Petition/Application as defective and lacking in requisite details for the electricity Consumers to undertake any meaningful analysis.

48. Further, the Regulations also provide that in case the Distribution Licensee fails to compute and fuel and power purchase adjustment

surcharge within this timeline, except in case of any force majeure condition, its right for recovery of carrying cost during truing up exercise for under recoveries on account of fuel and power purchase adjustment surcharge shall be forfeited. In the present case, the Respondent Discom has not provided the detailed computation of FPPAS, clearly indicating the components included therein. In order to make a verifiable claim, the HPSEBL ought to have provided the following verifiable statistic:

- Detailed component wise-computation of FPPAS.
- The amount of power purchase cost and transmission charges pertaining to the relevant nth month(s) and the amount pertaining to prior periods, if any;
- Any payments made pursuant to the orders of the courts/Tribunal of competent jurisdiction and other past-period settlements that have been considered while computing FPPAS;

49. The NIA and the PMD have further mentioned that the FPPAS formula / dispensation provides as time to enable the Petitioner herein to keep its costs (power purchase and transmission) aligned with tariff through FPPAS mechanism. Accordingly, the present claim pertaining to March 2026 appears to be time barred.

50. The NIA and the PMD have pointed out that the balance FPPAS, to be recovered through true-up is Rs. 3.691 per Unit i.e. more than 50% of CoS raises a lot of issues regarding the computation of Average Cost of

Supply during the FY 2025-26 including the truing- up of power purchase cost, given the fact that in HP, unlike other states, power purchase cost as a percentage of Cost of Supply is significantly lower.

OBJECTIONS/SUGGESTIONS OF M/s SHREE SIDDI VINAYAK FORGING PVT. LTD. (SSVFPL)

51. SSVFPL has submitted that the Petitioner has not published what the Regulations require it to publish. Regulation 26(1)(I) obliges the Licensee to publish on its website, and to archive at a dedicated web address, the surcharge formula, the monthly computation and the recovery thereof, separately for the automatic and the approved portions. No such publication was made for FY 2025-26. Indeed, the only computation that has reached the Consumers is the single-page sheet furnished under the Right to Information Act, 2005 vide letter No. HPSEBL/CE(Comm.)/SERC-47/2026-27-1829 dated 24.06.2026, which reproduces four figures and none of the variables of the formula. A Licensee in continuing breach of its disclosure obligation is not entitled to ask the Commission to approve a claim computed on the very data it has withheld.

52. SSVFPL has further submitted that the Annexures are illegible and non-auditable. It has been prayed the Commission to issue a direction to the Petitioner to furnish, in editable electronic form, the month-wise

computation of every variable of the formula, the segment-wise and time-block-wise exchange purchase and sale data, the station-wise own generation against approved levels, the merit order despatch and backing-down statements, the provisional accounts issued by the State Load Despatch Centre (SLDC) under Regulation 26(2)(a), and the particulars of every arrear claimed; and for a further three weeks thereafter to file detailed objections. The computations set out below have necessarily been reconstructed from the material as filed, and the Objector reserves the right to correct them.

53. It has been further mentioned that the relief sought does not lie in a miscellaneous application. Regulation 26(1)(g)(ii) provides that where the surcharge exceeds 5%, 5% is recoverable automatically, 90% of the balance is recoverable automatically using the formula, and "the differential claim shall be recoverable after approval by the Commission during true-up". Regulation 26(1)(h) requires the truing up for a financial year to be completed by 30th June of the following year. The forum for this claim is therefore the truing-up proceeding for FY 2025-26, on audited accounts and after a prudence check, and not a stand-alone application loading a year's cumulative variance onto one month's consumption. The Petitioner has moreover treated the entire balance of Rs. 3.691 per unit as the "differential claim" without any reference to the

ninety per cent limb of Regulation 26(1)(g)(ii), and must be called upon to reconcile its own arithmetic with the provision it invokes.

54. With regard to delay, carry forward and carrying cost, it has been pointed out that Regulation 26(1)(c) requires the surcharge for power procured in the nth month to be computed and charged in the (n+2)th month - for March, 2026, in the bills of May, 2026 - and the proviso forfeits the Licensee's right to carrying cost where it fails to do so. The automatic component was levied only in the bills of June, 2026 and the present Petition was filed in July, 2026. Regulation 26(1)(d) confines a carry forward to a maximum duration of two months, and only where the total surcharge for a billing month exceeds twenty per cent of the variable component of the approved tariff; Regulation 26{1)(e) requires it to be recovered within one year or before the next tariff cycle, whichever is earlier. The Petitioner's prayer is silent on every one of these conditions. No carrying cost whatsoever may be allowed.

THE CLAIM IS NOT THE COST OF MARCH POWER- IT IS PRIOR-PERIOD ARREARS

55. SSVFPL has averred that the surcharge of Rs. 4.029 per unit demanded for March, 2026 is higher than the entire per-unit cost of the power procured in that month, Rs. 3.672 and the sum of Rs. 395.59 Crore sought to be recovered exceeds the Petitioner's whole power purchase bill for the month, Rs. 309.60 Crore, by about twenty-eight per

cent. No monthly pass-through can lawfully produce such a result. Further, the sharp rise in the per-unit figures from November onwards is a rise in arrears, not in cost, in eight of the twelve months the power actually procured cost at or below the approved Rs. 2.89 per unit. The exclusion of banked energy further compounds the distortion. The Petitioner banked energy outside the State during the surplus months and received it back during the lean months without any energy charge on its return. Those units are units "procured" within the meaning of the variable A in the FPPAS formula, and their exclusion from the denominator inflates the average cost per unit for exactly those months for which the surcharge is claimed.

THE FORMULA PRESCRIBED BY REGULATION 26(2)(a) HAS NOT BEEN WORKED

56. It is averred that Regulation 26(2)(a) prescribes that the monthly surcharge for the nth month, expressed as a percentage, shall equal {(A-B) x C + (D-E)} divided by {Z x (1 - Distribution losses in % / 100)} x ABR, each variable being separately defined and each referable to the (n-2)th month. That computation appears nowhere in the Petition. What the Petitioner has done instead is to take the cumulative excess in power purchase cost "till March, 2026" of Rs. 459.55 Crore, net off the cumulative transmission variation of Rs. 50.18 Crore and the Rs. 13.78 Crore recovered in February, 2026, and divide the resulting Rs. 395.59

Crore by one month's sales. The variables A, B, C, D, E and Z make no appearance whatever. The figure of 57.55 per cent is not the percentage the Regulation contemplates; it is a year-end variance expressed as a monthly rate. The denominator is also wrong. The Regulation requires the Average Billing Rate for the year, to be taken from the tariff order. The Petition adopts Rs. 6. 76 per unit and describes it as "ABR/Average Cost of Supply", conflating two distinct quantities: this Commission determines the Average Billing Rate at 105 per cent of the Average Cost of Supply, and the figure of Rs. 6.76 per unit corresponds to the adjusted Average Cost of Supply of Rs. 6.75 per unit determined for FY 2026-27 by the order dated 25.03.2026 - a figure of the succeeding year, not the Average Billing Rate of FY 2025-26 to which the claim relates. A lower denominator produces a higher percentage and a larger claim. Further, Transmission charges have been bunched, not increased. Against an approved Rs. 69.08 Crore a month, the monthly transmission charges in Table No. 1 swing between Rs. 36.31 Crore and Rs. 133.95 Crore, and yet the year closes Rs. 50.18 Crore below approval. The variation in any single month is an artefact of the timing of billing by the transmission utilities. To recover a surcharge in the months of heavy billing while retaining the benefit of the months of light billing converts a pass-through into a windfall. Moreover, impermissible items have been included. Regulation 26(2)(b) excludes charges on account of the Deviation

Settlement Mechanism, and Regulation 26(2)(c) excludes ancillary services and security constrained economic despatch. The monthly statements nevertheless carry purchases under "UI (Purchase)" at Rs. 8.53 per unit in February, 2026 and Rs. 5.21 per unit in March, 2026, and lines described as "Net Deviation and ancillary Services" in other months. These must be excluded altogether and their magnitude is itself evidence of deficient scheduling rather than of any increase in the cost of power.

THE PROCUREMENT HAS NOT BEEN SHOWN TO BE PRUDENT

57. A pass-through is a pass-through of prudently incurred cost, and of nothing else. Section 86(1)(b) of the Act requires this Commission to regulate the power procurement process of the distribution licensee, and by paragraph 11.4.2 of the Tariff Order dated 25.03.2026 the Commission has directed the Petitioner to plan its procurement and sale so as to optimise the overall power purchase cost, holding that any variation in rate and quantum will be examined at final truing up on actuals and after a prudence check. The Petition offers no explanation at all of why power was bought when and at the price it was bought. Power was bought on the exchange above the market. The average market clearing price in the Day-Ahead Market was Rs. 3.58 per unit in February, 2026 and Rs. 4.20 per unit in March, 2026; in the Real-Time Market, Rs. 3.59 and Rs. 3. 71 per unit respectively; and the Green Day-

Ahead Market cleared at Rs. 3.43 per unit in February, 2026. The Petitioner bought at Rs. 4.30 and Rs. 4.48 per unit, and in quantities several times the approved plan. Adding to that, power was sold cheap in the very months in which it was bought dear. In February, 2026 the Petitioner sold 104.24 MU outside the State at Rs. 3.27 per unit while buying 63.37 MU on the exchange at Rs. 4.30 per unit. In March, 2026 it sold 59.87 MU at Rs. 2.98 per unit while buying 99.04 MU at Rs. 4.48 per unit. A licensee that sells at Rs. 2.98 and buys at Rs. 4.48 in the same month has not optimised anything and has transferred a spread of Rs. 1.50 per unit from its consumers to the market, and now asks those very consumers to fund the difference.

58. The Petitioner's own stations generate at between Rs. 1.24 and Rs. 1.47 per unit. In its revised submission for FY 2025-26 filed in Petition No. 239/2025 the Petitioner itself brought its own generation down from the approved 2,113.69 MU to 1,842.53 MU, and the month-wise statements at Annexure-A disclose a shortfall against the approved monthly plan in eleven of the twelve months. Low-cost own hydro was thus displaced by exchange and deviation power costing three to four times as much, and the difference is now sought from the consumers. The Petitioner must be put to strict proof, station by station, of whether the shortfall arose from hydrology, from forced outage, from want of

maintenance or from backing down; and to the extent it was avoidable, its cost consequence must lie where it fell.

59. The revenue from surplus sale has not been netted. Regulation 25(2) requires the approved power purchase cost to be net of the revenue from the sale of surplus power, and the variable B of the formula requires bulk sale from all sources to be deducted. On the monthly statements the Petitioner sold of the order of 1,334 MU outside the State during FY 2025-26 and realised of the order of Rs. 477 Crore, at about Rs. 3.57 per unit - appreciably above its own average cost of Rs. 2.875 per unit. Not a rupee of that realisation has entered the present computation. The Petitioner keeps the gain of the surplus season and bills the consumers for the cost of the lean season.

DOUBLE RECOVERY AND A REPRESENTATION MADE TO THIS COMMISSION

60. By the Tariff Order dated 25.03.2026 in Petition No. 239/2025, this Commission, in arriving at the ARR for FY 2026-27, expressly provided for arrears- Rs. 55 Crore towards HPPTCL, Rs. 100 Crore towards HPPCL and HPSEBL plants and Rs. 110 Crore towards Central Generating Stations, aggregating Rs. 265 Crore. Those provisions form part of the ARR of Rs. 8,641.16 Crore against which the tariff now in

force was determined, and are therefore already being paid by the Objector in every bill it receives.

61. The arrears loaded by the Petitioner into March, 2026 amount to Rs. 264.81 Crore and are attributable, on the face of the monthly statement, substantially to Central Generating Stations and to State generating companies. The proximity of the two figures is not something the Objector is content to leave unexamined. The Petitioner must be directed to file reconciliation, generator by generator and item by item, between the arrears claimed in this Petition and the provisions for arrears already allowed in the Aggregate Revenue Requirement for FY 2026-27, certified on affidavit that no amount is being recovered twice. Until that reconciliation is on record, not one rupee of the claim can be allowed.

62. This apprehension is not new, and it was raised by the Objector's own industry. At paragraph 3.56 of the Tariff Order dated 25.03.2026, under the heading "Prevention of Double Recovery (FPPAS)", M/s Vardhman Ispat Udyog, M/s Kundlas Loh Udyog and M/s Prime Steel Industries Private Limited submitted that retrospective demands for "short assessment" of the surcharge, if not brought into actual revenue in the truing-up petition, would inflate the revenue deficit and make consumers pay twice, and that carrying cost on a gap caused by the licensee's own administrative default must be disallowed. The

Petitioner's answer, recorded at paragraph 3.56.3, was that it "is having efficient power purchase mechanism" and had "managed the power purchase efficiently resulting in levy of no FPPAS except in the month of April- 24". On that representation the Commission proceeded.

63. The representation was made in March, 2026, within three months of it the Petitioner issued sales circulars levying the surcharge for February and March, 2026 and came before this Commission asserting an excess of Rs. 459.55 Crore for the very year about which the representation had been made. If the excess was real, it was within the Petitioner's knowledge when it made that statement and ought to have been disclosed in the tariff proceedings. If it was not within its knowledge, it is because the Petitioner did not compute the surcharge month by month as Regulation 26(1)(c) required. On either footing the consequence is the Petitioner's and not the Consumers'.

64. It is also relevant that the Tariff Order dated 25.03.2026 adjusted a truing-up surplus of Rs. 733.79 Crore for FY 2024-25 and a further surplus of Rs. 530.26 Crore on truing up of controllable parameters. A licensee holding surpluses of that magnitude, which has procured the year's power below the approved cost, has no occasion to press an emergent recovery of Rs. 362.40 Crore against a single month's consumption.

RECOVERY BY "SUNDRY" DEBIT WITHOUT ASSESSMENT OR HEARING

65. It is averred that if the relief sought were granted, the mechanism by which Rs. 362.40 Crore would reach the Objector is a single undifferentiated debit in a future energy bill. The Objector's bills carry a line styled "Sundry", with the printed footnote that the sundry amount "will be Claimed/Adjusted in Current/Next bill"; the bill for July, 2026 itself carries entries of Rs. 13,50,000 and (-) Rs. 13,50,000 in that line. A debit of about Rs. 1.56 Crore inserted in the same line, without a speaking assessment, without particulars and without any opportunity to be heard, would leave the Objector with no practical remedy save disconnection or litigation. This is precisely the grievance placed before the Commission at paragraph 3.56.1 of the Tariff Order dated 25.03.2026 in relation to retrospective "short assessment" notices.

66. The SSVFPL has prayed that if, contrary to the submissions made above, any amount is held recoverable, the Commission may direct that it be recovered only prospectively, in equal monthly instalments over a period not less than the period over which it accrued, shown as a separate and distinctly identified line item in the bill with the order number and the rate stated, and that no late payment surcharge, interest or carrying cost be levied thereon; and that the amount so recovered be

brought into "actual revenue" in the truing up for the relevant year so that it is not recovered a second time through the revenue gap.

67. In view of the above, SSVFPL has prayed the Commission to :

(a) Reject the Miscellaneous Application in Filing No. 251/ 2026-897-938 and decline the recovery of Rs. 362.40 Crore, or any part thereof, as a carry forward against the consumption of March, 2026;

(b) Hold and declare that arrears pertaining to earlier periods cannot form part of the Fuel and Power Purchase Adjustment Surcharge computed under Regulation 26, and that they fall to be examined, if at all, in the truing up for FY 2025-26 upon audited accounts and after a prudence check;

(c) Direct that the surcharge of Rs. 0.338 per unit levied vide Sales Circular No. 3/2026-27 dated 30.05.2026 and of Rs. 0.132 per unit levied vide Sales Circular No. 2/2026-27 dated 29.04.2026 be kept in abeyance, and that the sum of Rs. 14,30,591.76 already charged to the Objector in its bill for July, 2026 be refunded or adjusted with interest to the extent found unsustainable on adjudication;

(d) Direct the Petitioner to furnish to the Objector, in editable electronic form and on affidavit, the month-wise computation of every variable of the formula at Regulation 26(2)(a); the segment-wise and time-block-wise exchange purchase and sale data; the station-wise own generation against approved levels with reasons for the shortfall; the

merit order despatch and backing-down statements; the provisional accounts issued by the State Load Despatch Centre; and the particulars of every arrear claimed, identifying the generator, the period, the date of the bill and the authority under which it arose;

(e) Direct the Petitioner to file a reconciliation, certified on affidavit, between the arrears claimed herein and the provisions for arrears aggregating Rs. 265 Crore already allowed in the Aggregate Revenue Requirement for FY 2026-27, so as to exclude double recovery;

(f) Undertake a prudence check of the power purchased on the exchange and under the deviation mechanism during February and March, 2026 and disallow the cost of such purchases to the extent it exceeds the prevailing market clearing prices, together with the cost consequence of the shortfall in the Petitioner's own generation;

(g) Direct the exclusion from the computation of all charges on account of the Deviation Settlement Mechanism, ancillary services and security constrained economic despatch, and the netting of the revenue realised from the sale of surplus power outside the State;

(h) Hold that no carrying cost, interest or late payment surcharge is allowable on the amount claimed, the Petitioner having failed to compute and charge the surcharge within the timeline prescribed by Regulation 26(1)(c);

(i) Direct that, in the event any amount is held recoverable, it be recovered only prospectively and in equal monthly instalments, as a separately identified line item in the energy bill stating the order number and the rate, without any carrying cost or late payment surcharge, and be brought into actual revenue at the time of truing up; and

(j) Direct the Petitioner to comply with Regulation 26(1)(1) and to place its compliance on record;

OBJECTIONS/SUGGESTIONS OF M/s VEER PLASTICS PVT. LTD. (VPPL)

68. VPPL has submitted that there are inter alia following defects in the details submitted by the HPSEBL:-

i. The HPSEBL has given figures without any clarification notes.

ii. The HPSEBL has failed to give details of Transmission charges.

iii. The applicant has failed to mention the reasons about increase in transmission charges in the month of September 2025, December 2025 and March 2026.

iv. The transmission charges are related to Inter state power purchased by the distribution licensee. Whether there is any increase in the inter state power purchase during the above said September, December and March months or there is increase in

transmission charges rates' The Distribution licensee has failed to mention the same.

v. The Licensee has failed to bifurcate Intra State power purchase and Inter State Power purchase and corresponding relation with the Transmission charges. There are instances when Total power purchase is much higher i.e. 1862.26 MU in July and 1855.33 in August but Transmission charges is only 41.62 Cr. and 36.31 C.' respectively' Whereas in March Power purchase is 843.22 but Transmission charges are 133.95 Cr. So the Distribution Licensee has to inform this Commission detailed reasons for these differences.

69. VPPL has submitted that as per the averments of the HPSEBL, the power purchase bills for the month of March, 2026 includes arrears to the tune of Rs. 264.81 Cr. meaning thereby the actual power purchase in the month of March 2026 is 309.60 Cr. So, neither the Total power purchase is on higher side and nor the Power Purchase cost but the transmission charges have become almost double. The distribution licensee has failed to given reasons for the same.

70. VPPL has submitted that as per Regulation 26 of the MYT Regulations, 2023, the FPPAS has to be computed and charged by the distribution licensee on the basis of actual variation, in cost of fuel and power purchase and Inter-State Transmission Charges for the power

procured. But it is submitted that the calculations submitted by the HPSEBL has inter-alia following defects:-

- In Table No. 3 again the HPSEBL has given figures without any explanations.
- It has failed to mention details of calculations of ABR and Average Cost of Supply.
- As per table No. 3 till February the FPPAS recovered is 13.78 Cr. but it has increase to 395.359 Cr. in March, 2026 and the Licensee has failed to mention the reasons for the same
- The licensee has also failed to mention the details of the FPPAS charges from the Month of April, 2025 onward

71. VPPL has further submitted that the sales circular attached as Annexure-B are totally non speaking. The Licensee has failed to give details of calculations, transmission charges etc. in whole petition/ application. In the absence of the details it is not possible to test the truthfulness of the claims of the licensee. It is shocking that in the month of March, 2026 FPPAS has been calculated as Rs. 4.029 which is more than the monthly per unit tariff approved by this Commission. The Licensee wants to recover these charges, more than per unit tariff, without giving any details.

72. VPPL has mentioned that the amount of FPPAS calculated by the Distribution Licensee is totally wrong and illegal. In the absence of the

details of calculations and costs the Licensee can not justify the alleged claim. Thus, the prayer made by the Applicant/ HPSEBL is totally wrong and illegal and the applicant is not entitled to get any relief from this Commission.

REJOINDERS

REJOINDER TO THE OBJECTIONS/SUGGESTIONS OF M/s VARDHMAN TEXTILE LTD. (VTL for short)

73. The Petitioner has submitted that the Fuel and Power Purchase Adjustment Surcharge (FPPAS) is not, and cannot be equated with, an increase in tariff. It is a distinct, formula-based mechanism under Regulation 26 of the MYT Regulations, 2023, meant solely as 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.

74. With regard to the alleged failure to meet transparency and publication requirements, the Petitioner has denied the objection as being based on conjectures and false allegations. It has been submitted that the Petition is legally valid and that the claim that Petitioner has forfeited its right to claim FPPAS, for want of publication is invalid. Mere non-publication cannot deny to the petitioner its recovery/cost legitimate born by it. The computation of the surcharge, together with the relevant category-wise sale figures, power purchase cost and arrears, has been

placed on record as part of the Petition itself, which is a public filing before the Commission.

75. With regard to the alleged lack of verifiable data and cost breakdown, the Petitioner has denied the objection as being misleading and false. It is submitted that the Petition already contains month-wise break-up of power purchase cost, transmission cost, sale, and arrears, including source-wise details of Central Generating Station, transmission and State hydro project arrears, which are required for the computation of FPPAS as per Regulation 26 of MYT Regulation, 2023.

76. With regard to the alleged financial mismanagement and poor power planning, the Petitioner has denied the objection as being based on conjectures and surmises. It is submitted that the Objector has failed to establish as to how financial management and poor power planning has taken place. Hence allegations do not carry weight to override the fact of levy of exorbitant arrears off power purchase by the CERC which have lead to the statutory levy of FPPAS and which is not against existing provisions of the Act/ Regulations explicitly especially when the Objector has the option of purchasing power through Open Access, such allegations become baseless and The Objector should be put to strict test of proving its baseless allegations.

77. With regard to the Prayer for Capping FPPAS to 5% of ABR, the Petitioner has denied the objection as being as being thoughtless and

motivated. The 5% cap under Regulation 26(1)(g)(i) applies to the automatic monthly pass-through route, it does not extinguish the Petitioner's entitlement to recovery, upon the Commission's approval, of an actual incurred cost through the separate route under Regulation 26(1)(g)(ii), which is the very route adopted in the present Petition.

78. The Petitioner has added that directing the Petitioner to absorb the claimed amount out of its funds non-existent would not be consistent with Regulation 26 or with the cost-recovery principles under Section 62(4) of the Electricity Act, 2003.

REJOINDER TO THE OBJECTIONS/SUGGESTIONS OF BBN INDUSTRIES ASSOCIATION (BBNIA),

79. The Petitioner has submitted that the cost reflected in the FPPAS claim for any given month is not confined to power actually purchased in that calendar month alone. Under Regulation 26 of the MYT Regulations, 2023, bills for fuel, power purchase and transmission charges are received, reconciled and finally settled. Consequently, the landed cost reflected against a given month in the Petitioner's working also carries the bills of power purchased, transmission charges and others after receipt of the corresponding final bills.

80. In reply to Objection regarding Differential Between Purchase Cost and Approved Rate, and Comparison with IEX Day-Ahead Prices, the

Petitioner has denied the objection as being based upon misleading conjectures and surmises. It has been submitted that the average landed cost of power purchase reflected in the Petitioner's working for a given month, including the figure of Rs. 6.81 per unit for March 2026, is not directly comparable to the IEX-DAM clearing price relied upon by the Objector and the Objector should be put to a strict test of proving its baseless allegations.

81. With regard to the decline in Sale in March 2026 as Compared to July 2025, the Petitioner has denied the objection as being based upon misleading conjectures and surmises. It has been submitted that the variation in monthly sale volumes between July 2025 (a peak-demand monsoon month) and March 2026 (a lean-season month) reflects the ordinary seasonal demand pattern of the State, which is well recognized and not peculiar to the period under consideration.

82. With regard to the alleged Mismatch between Table No. 1 and Table No. 3 of the Petition, the Petitioner has denied the allegation as being misleading and not based on facts. It has been submitted that Table No. 1 and Table No. 3 of the Petition present different categories of information namely, overall sale/purchase figures and category-wise/month-wise differential computations, respectively and are not intended to be read as identical figures.

83. With regard to the Power Purchase of 843.22 MU Against Sale of 981.86 MU in March 2026, the Petitioner has denied the objection as being based on misleading conjectures and not based on facts and the prayed that the Objector should be put to a strict test of proving its baseless allegations. It has been submitted that the power purchase quantum as referred to in the objection is inclusive of only power purchased through mix of sources such as CGS, own generation, energy markets, etc and the balance power required for fulling the obligation of supply to the consumers is met through different instruments such as banking, combined together with permissible transmission and distribution losses.

84. Regarding the reasons for Not Purchasing from Approved Sources, the Petitioner has submitted that the power purchase from any source is not the objective of this present petition.

85. Regarding Generation Figures Vis-à-Vis Approved Budget, the Petitioner has submitted that the Commission undertakes the true-up of the Petitioner's own generation as part of the regular tariff proceedings, and the Petitioner separately files a petition for its generation business before the Commission, in which the generation figures vis-à-vis the approved budget are examined.

86. With regard to the Composition of the Commission and Request for Deferment, the Petitioner has no comments to offer on the composition

of the Commission, including the objection regarding the position of Law Member, this being a matter entirely within the Commission's own domain and outside the Petitioner's purview. The Petitioner has submitted that any deferment of the proceedings would only prolong the period for which FPPAS amounts already incurred remain unrecovered, thereby increasing the carrying cost that would ultimately need to be borne by consumers, and requests that this factor be kept in view, without prejudice to the Commission's own determination on the procedural objection raised.

REJOINDER TO THE OBJECTIONS/SUGGESTIONS OF THE BBN INDUSTRIES ASSOCIATION (BBNIA), CONFEDERATION OF INDIAN INDUSTRY (CII) HIMACHAL PRADESH, PARWANOO INDUSTRIES ASSOCIATION (PIA), KALA AMB CHAMBER OF COMMERCE AND INDUSTRIES (KACCI), M/s INDORAMA INDIA PVT. LTD., M/s KUNDLAS LOH UDYOG, M/s VARDHMAN ISPAT UDYOG LTD and M/s PRIME STEEL INDUSTRIES PVT LTD.

87. The Petitioner/HPSEBL has submitted that the entire edifice of the Objections rests on a mischaracterization of the statutory (n+2) billing and settlement cycle that governs the FPPAS mechanism under Regulation 26 of the MYT Regulations, 2023. As is evident from Regulation 26(1)(g)(i)/(ii) itself, which the Objectors have selectively

extracted, the fuel and power purchase adjustment surcharge for power procured/supplied during any month “n” is required to be computed and billed with reference to actual variation in the cost of fuel, power purchase and inter-State transmission charges, and such becomes available to the petitioner on final basis only in the (n+2)th month and it is not open under the Regulations to charge FPPAS on advance basis.

88. As per the Petitioner, this lag is not a discretionary act of the Petitioner; it is a structural, regulator-mandated feature of mechanism itself, arising from the fact that generating companies, the Central Transmission Utility/State Transmission Utility (CTU/STU), and the Regional/State Load Dispatch Centres raise, reconcile and finally settle their respective bills for power purchase and transmission charges, only after joint meter reading, scheduling reconciliation and accounting processes.

89. With regard to the alleged Unlawful Bypass of the Annual true-up Process, the Petitioner has submitted that the objection is denied as being vexatious so as to deny the petitioner its legitimate costs/right. It is submitted that the present Petition under Regulation 26(1)(g)(ii) itself contemplates and requires the Commission’s Approval, in matter of levying FPPAS and it is not open for petitioner to itself override the set Regulatory and Statutory provisions while the intension of the objectors is to deny the petitioner its legitimate cost/right.

90. With regard to the alleged Violation of Statutory Timelines, 5% Cap and Tariff Cycle Boundaries, the Petitioner has denied the objection as being vexatious so as to deny the Petitioner its legitimate costs/right. That the 5% cap under Regulation 26(1)(g)(i) governs the ceiling for automatic monthly recovery through the ordinary billing route; it does not extinguish the Petitioner's underlying entitlement to recover the balance, legitimately incurred, actual cost.

91. With regard to the alleged Violation of Section 62(4) of the Act, the Petitioner has denied the objection as being vexatious so as to deny the Petitioner its legitimate costs/right. It has been denied that the Petition amounts to an “un-statutory mid-year tariff hike.” FPPAS is not a tariff revision; it is a formula-based, automatic cost pass-through mechanism expressly contemplated under Section 62(4) of the Act and the National Tariff Policy, both of which mandate a mechanism for automatic recovery of fuel and power purchase cost variations “in accordance with the terms and conditions specified in the tariff Regulations issued by the Appropriate Commission. The Objector should be put to a strict test of proving its baseless allegations.

92. In reply to the “Fraudulent Use of Arrears in FPPAS”, the Petitioner has denied the objection as being based upon conjectures, surmises and false allegations. As delineated in paras supra, the bulk of what the Objectors describe as “arrears” is, in substance, the settlement

of power purchase fuel and borrowing cost mandated by Regulation 26, for electricity already supplied by the HPSEBL to the its consumers in the preceding months.

93. The Petitioner has added that the Objectors have not placed any material on record to demonstrate that any specific component of the claimed cost, including the average per-unit cost of Rs. 6.81, is imprudent or inflated; a bare assertion that a figure appears “absurd,” does not constitute a ground for disallowance which the Petitioner has itself invited through this Petition. The Objector should be put to a strict test of proving its baseless allegations.

94. With regard to “Artificial Deficit” and State Government Power Allocation, the Petitioner has denied the objection as being based upon conjectures, surmises and false allegations. It has been submitted that the manner in which the Government of Himachal Pradesh utilizes its free/equity share of power from State Hydro Projects (SHPs) is a matter of Government policy. Any grievance regarding the GoHP's power allocation policy lies, if at all, in a separate and appropriate proceeding against the concerned authority, and cannot be a ground to disallow the Petitioner's actual, incurred cost in the present proceeding.

95. In reply to the alleged Inefficiencies, UI/DSM Charges and Surrendered Plant Fixed Charges, the Petitioner has denied the objections as baseless and the submitted that the objectors should be

put to a strict test of proving its baseless allegations. It has been submitted that the Unscheduled Interchange/Deviation Settlement Mechanism charges are levied by the concerned Load Dispatch Centers under the Deviation Settlement Mechanism Regulations (DSM Regulations). Though being an actual cost being incurred on HPSEBL for performing its statutory obligations, UI/DSM charges are not considered part of FPPAS being levied by HPSEBL as specified by Regulation 26(b) of the MYT Regulation, 2023.

96. In reply to “Retrospective FPPAS on Open Access Consumers”, the Petitioner has denied the objection on the fact that the FPPAS is to levied on all categories of consumers, including open access consumers, to the extent provided under the MYT Regulations, 2023, and there is no violation of Section 42 of the Act in recovering dues that legitimately accrue but could not be billed earlier.

97. In reply to the alleged Illegal Cross-Subsidization of Unrecovered FPPAS, the Petitioner has denied the objection as being based upon conjectures, surmises and by misleading. The FPPAS is being levied by HPSEBL to each and every consumer of the State.

98. With regard to the forfeiture of Carrying Costs (Interest), the Petitioner has denied the objection as being vexatious so as to deny the Petitioner its legitimate costs/right to the fact that the carrying cost claimed by the Petitioner is not a penal charge sought to be shifted onto

consumers. The the Petitioner has submitted that the carrying cost arising from delayed recovery of FPPAS, and this recovery has arisen out of bonafide costs borne by HPSEBL to supply electricity to its consumers and such bonafide costs may not be denied by the Commission.

99. In reply to the alleged Forfeiture under the National Tariff Policy, the Petitioner has denied the objections as baseless and the prayed that the objectors should be put to a strict test of proving its baseless allegations. It has been submitted that the Petitioner has bonafide computed and filed its FPPAS claim upon finalization of the relevant costs. The forfeiture provisions of the National Tariff Policy are intended to discourage licensee inaction and are not attracted where recovery is timed by a third-party billing cycle outside the licensee's control.

REJOINDER TO THE OBJECTIONS/SUGGESTIONS OF NALAGARH INDUSTRIES ASSOCIATION (NIA) AND M/s PRECISION MOULDS & DIES PVT. LTD. (PMD)

100. The Petitioner has submitted that the prayer for deferral of the hearing scheduled in the matter, on the ground of absence of a Member (Law) on the Commission, is opposed. The Commission has power vested in it under the Act can decide the matter.

101. Further, the Petitioner has submitted that the objections are denied as being vexatious so as to deny the Petitioner its legitimate costs/right. The HPSEBL has already submitted the monthly computation of FPPAS for FY 2025-26 along with the supporting documents thereof.

With regard to forfeiture of carrying cost, the Petitioner has submitted that the details of month-wise power purchase/sale and transmission charges stands already provided with the petition along with the details of FPPAS corresponding to the months of February and March 2026. The Petitioner has prayed that the Objector should be put to a strict test of proving its baseless allegations.

102. The Petitioner has denied that the present claim, pertaining to March, 2026, is time-barred. The claim is made under Regulation 26(1)(g)(ii), which expressly provides for recovery of the differential surcharge "after approval by the Commission", and under the carry-forward mechanism at Regulation 26(1)(d) and (e), which permits recovery within one year or before the next tariff cycle, whichever is earlier.

103. The Petitioner has also denied that the that the computation of the differential FPPAS of Rs. 3.691 per unit is flawed merely because it represents a substantial proportion of the Cost of Supply, or because power purchase cost forms a comparatively lower percentage of the Cost of Supply. The Average Cost of Supply for FY 2025-26 stands as

approved by the Commission and remains subject to true-up on audited accounts and after a prudence check.

REJOINDER TO THE OBJECTIONS/SUGGESTIONS OF M/s SHREE SIDDI VINAYAK FORGING PVT. LTD. (SSVFPL)

104. The Petitioner has submitted that the Miscellaneous Application as filed is based on actual power purchase, fuel and transmission cost prudently incurred for supply to consumers, including the Objector, and that the differential claim is sought strictly within the framework of Regulation 26 of the MYT Regulations, 2023.

105. The Petitioner has denied that the differential claim falls outside the meaning of "adjustment surcharge". Regulation 26(1)(g)(ii) itself contemplates that where the surcharge exceeds 5%, the balance beyond the ninety per cent automatically recoverable limb is recoverable only "after approval by the Commission". The carry-forward mechanism under Regulation 26(1)(d) exists to avoid tariff shock, and the Petitioner has, in Part VIII below, itself proposed a mode of prospective, instalment-wise recovery without carrying cost so that no such shock results. The quantum, timing and manner of recovery remain entirely within the Commission's discretion.

106. Still further, the circumstance that the FPPAS line item read "Nil" through most of FY 2025-26 reflects that the automatically recoverable

component was not attracted in those months because the variation between actual and approved cost remained within the threshold prescribed by Regulation 26(1)(g).

107. It has been further submitted that the objection is denied as being based upon misleading conjectures and surmises. The cash security deposit and the advance referred to are consumer dues that carry a separate and distinct interest obligation under the applicable Regulations; they are not, and have never been represented to be, a fund available for set-off against power purchase cost, which is a pass-through item and not a discretionary charge.

108. It has been submitted that the Petition is legally valid and that the claim that Petitioner has forfeited its right to claim FPPAS, for want of publication is invalid. Mere non-publication cannot deny to the Petitioner its recovery/cost legitimate born by it. The computation of the surcharge, together with the relevant category-wise sale figures, power purchase cost and arrears, has been placed on record as part of the Petition itself, which is a public filing before the Commission. Moreover, the data is reconciled by book of accounts of HPSEBL.

109. Further, the objection on relief sought, that it lies exclusively on truing up is misconceived and is denied. Regulation 26(1)(g)(ii) itself creates the forum invoked here: it requires Commission's approval of the differential claim beyond the automatically recoverable limb, on the

monthly FPPAS mechanism, independently of the annual truing-up under Regulation 26(1)(h). The two proceedings serve different purposes under the same set of Regulations and are not mutually exclusive. The objection is vexatious so as to deny the Petitioner its legitimate costs/right. As is evident from Regulation 26(1)(g)(i)/(ii) itself, which the Objectors have selectively extracted, the fuel and power purchase adjustment surcharge for power procured/supplied during any month “n” is required to be computed and billed with reference to actual variation in the cost of fuel, power purchase and inter-State transmission charges, and such becomes available to the petitioner on final basis only in the (n+2)th month and it is not open under the Regulations to charge FPPAS on advance basis.

110. As per the Petitioner, this lag is not a discretionary act of the Petitioner; it is a structural, regulator-mandated feature of mechanism itself, arising from the fact that generating companies, the Central Transmission Utility/State Transmission Utility, and the Regional/State Load Dispatch Centers raise, reconcile and finally settle their respective bills for power purchase and transmission charges, only after joint meter reading, scheduling reconciliation and accounting processes.

111. With regard to objection that the claim is prior-period arrears, the Petitioner has denied the objection as being vexatious so as to deny the petitioner its legitimate costs/right. The Petitioner has submitted that the

entries described in the monthly statements as "arrears of earlier periods" substantially represent costs of power purchase and transmission charges bills received to HPSEBL in the respective month. The Petitioner has prayed that the Objector should be put to a strict test of proving its baseless allegations.

112. With regard to application of the formula under Regulation 26(2), the Petitioner has submitted that the computation of FPPAS has been done in accordance with provisions of Regulation 26(2) of the MYT Regulations, 2023. The ABR rate as considered for FPPAS computation is as per the approved rate in Tariff Order of this Hon’ble Commission and is required to be same for all category of consumers.

113. Regarding the prudence of the procurement, the Petitioner has submitted that the power purchase from any source is not the objective of this present petition. It has been submitted that the average landed cost of power purchase reflected in the Petitioner's working for a given month, is not directly comparable to the DAM clearing price relied upon by the Objector and the Objector should be put to a strict test of proving its baseless allegations. Further, the sale is incorporated in the computation as prescribed in the methodology stipulated in Regulation 26(2) of ibid Regulations.

114. Regarding double recovery, the Petitioner has submitted that the Petition has already accounted for the arrears approved by this

Commission w.r.t various sources and transmission charges. Further, as pointed out in the objection regarding HPSEBL's submission in para 3.56.3 of tariff order dated 25.03.2026, it is again reiterated that due to efficient power procurement of HPSEBL FPPAS was only levied for two months in the FY 2025-26. The Objector should be put to a strict test of proving its baseless allegations.

115. Regarding the mode of recovery, the Petitioner has submitted that the FPPAS has been levied as per Regulations as specified in the ibid Regulations.

REJOINDER TO THE OBJECTIONS/SUGGESTIONS OF M/s VEER PLASTICS PVT. LTD. (VPPL)

116. The Petitioner has denied that the figures furnished are unreliable or unexplained. As per the Petitioner, the Transmission charges considered for computation of FPPAS are as per the bill raised by the concerned utilities and further reconciled with the HPSEBL's audited/provisional accounts and monthly statements.

117. The Petitioner has reiterated that the power purchase cost for March, 2026 includes arrears of Rs. 264.81 Crore, is based on the actual power purchase and transmission bills as raised towards HPSEBL. The bills as raised by various utilities for power purchase/transmission charges are not under the control of HPSEBL.

118. As per the Petitioner, the FPPAS has been computed as per the methodology defined in Regulation 26(2) of the MYT Regulations, 2023. The ABR rate as considered for FPPAS computation is as per the approved rate in Tariff Order of this Hon'ble Commission and is required to be same for all category of consumers. Further it has been submitted that the FPPAS as recovered for the month of February, 2026 has been considered while computing FPPAS for March, 2026 and HPSEBL has computed and levied FPPAS from April, 2025 in accordance with ibid Regulations. The Objector should be put to a strict test of proving its baseless allegations. It is submitted that the Fuel and Power Purchase Adjustment Surcharge is, by its nature under Regulation 26, a charge over and above the approved tariff, meant to recover the actual variation in fuel and power purchase cost for a specific month; a comparison of the per-unit surcharge for one month against the average per-unit tariff approved for the year is accordingly not an apt comparison.

SUR-REJOINDER TO THE REPLIES FILED BY THE PETITIONER

119. Sh. Rakesh Bansal, Authorised Representative for the CII, PIA, KACCI and the Industrial Consumers has filed a rejoinder to the reply filed by the Petitioner /HPSEBL to the comments filed by him on behalf of CII, PIA, KACCI and the Industrial Consumers. In the rejoinder, he has

objected to the replies filed by the HPSEBL and has reiterated his comments on the Petition.

SUBMISSIONS OF THE PARTIES

120. The Petitioner submitted the computation of the surcharge, together with the relevant category-wise sale figures, power purchase cost and arrears, has been placed on record as part of the Petition itself, which is a public filing before the Commission. It has been submitted that the Petition already contains month-wise break-up of power purchase cost, transmission cost, sale, and arrears, including source-wise details of Central Generating Station, transmission and State hydro project arrears, which are required for the computation of FPPAS as per Regulation 26 of MYT Regulation, 2023. The Petitioner further submitted that that it has provided the power purchase details to the respondents.

121. Sh. Sanjay Verma, Authorised Representative for the NIA/ NFA/ BBNIA/ Winsome pointed out that the Petitioner is seeking arrears more than the power purchase cost which needs to undergo prudence check by the Commission. He added that variation is expected to be 2-5% but in the present case, it is 135% which is very high. He reiterated that the Petitioner has not furnished the detail workings for arriving at the figures provided in the Petition. He further added that the Petitioner needs to

raise its prayer with relevant documents during the True-up exercise before the Commission.

122. Sh. Rakesh Bansal, Authorised Representative for the CII, PIA, KACCI and Industrial Consumers reiterated his comments on the Petition. He stressed that the details for the calculation of FPPAs need to be made available by the Petitioner online for transparency and knowledge of the Consumers especially the Open Access Consumers. He submitted that the Petition is not maintainable since the Regulations allow for recovery of FPPAS as 5% of the Tariff and rest of the amount is recoverable through the true-up exercise. He pointed out that arrears of the past periods have been padded as FPPAS which is a subject matter of the true-up exercise. Further, the tariff cycle has also ended. He also mentioned that the FPPAS is being recovered in (n+3)th month instead of (n+2)th month, as provided in the MYT Regulations, 2023.

POINTS FOR DETERMINATION

123. The Commission has gone through the submissions made by the parties and perused the record carefully. On the basis of the pleadings and submissions, the following points arise for determination:-

Point No. 1: Whether HPSEBL's prayer for approval to carry forward and recover the amount of Rs. 362.40 Crore claimed as differential FPPAS for March, 2026 is

required to be considered separately at this stage, or whether the claim should be examined comprehensively in the annual true-up for FY 2025-26?

Point No. 2: Final Order.

124. For the reasons to be recorded hereinafter in writing, our point wise findings are as under:-

Point No. 1: Partly in the affirmative, to the extent that the 5% component and 90% of the balance FPPAS are automatically recoverable under Regulation 26(1)(g)(ii), subject to verification of the prescribed computation and compliance with the Regulations; the prayer for approval to carry forward the entire Rs. 362.40 Crore is declined.

Point No. 2: (Final Order) The Petition allowed per operative part of the Order.

REASONS FOR FINDINGS

Point No. 1:

125. The Commission has considered the Petition, the material placed on record, the objections/comments of the stakeholders and the rejoinders filed by HPSEBL. The rival submissions have been examined

in the light of the Electricity Act, 2003 and the applicable provisions of the MYT Regulations, 2023. The issue in the present proceedings is not whether HPSEBL is entitled, in principle, to recover any genuine and prudently incurred variation in power purchase and transmission costs. The issue is whether the specific amount of Rs. 362.40 Crore, calculated and claimed in the manner set out in the Petition, is presently fit for approval and recovery as a carry-forward against the consumption of March, 2026.

126. Regulation 26 of the MYT Regulations, 2023 establishes a formula-based monthly adjustment mechanism, subject to annual true-up. Regulation 26(1)(c) requires FPPAS to be computed and charged in the (n+2)th month on the basis of actual variation in fuel and power purchase cost and inter-State transmission charges for power procured during the nth month. The proviso to that clause also provides for forfeiture of carrying cost during true-up where the licensee fails to compute and charge FPPAS within the prescribed timeline, except in a force majeure situation. Regulation 26(1)(b) makes the monthly mechanism subject to annual true-up.

127. Regulation 26 provides a framework for monthly computation and recovery of FPPAS, subject to annual true-up. Regulation 26(1)(g) distinguishes between the components which are recoverable automatically and the differential claim which is to be considered by the

Commission during annual true-up. The monthly recovery mechanism and the annual true-up are required to be read together. The true-up exercise enables the Commission to verify the actual expenditure, the correctness of the formula, the supporting records and the prudence of the underlying procurement and other costs.

128. In the present Petition, HPSEBL has claimed that the FPPAS for March, 2026 works out to 57.55%, or Rs. 4.029 per unit, and has sought approval to carry forward Rs. 362.40 Crore, representing Rs. 3.691 per unit, after treating Rs. 0.338 per unit as the 5% component. The Commission notes that the Petitioner's computation does not separately demonstrate the treatment of the 90% of the balance FPPAS and the differential component contemplated under Regulation 26(1)(g)(ii). The claim, therefore, requires a comprehensive examination with reference to the precise statutory formula and the actual billing and recovery data.

129. There is also a material issue regarding the basis of computation. Regulation 26(2)(a) prescribes a specific monthly formula. The formula is based on the variables A, B, C, D, E and Z, with the relevant power purchase and transmission data pertaining to the (n-2)th month. The Regulation defines each variable separately, including total units procured, bulk sale of power, incremental average power purchase cost, actual transmission charges, base transmission cost, target distribution losses, Inter-state transmission losses and the Average Billing Rate

(ABR) taken from the Tariff Order. Accordingly, a claim for FPPAS for a particular billing month has to be demonstrated by a transparent working of each of these variables for the relevant month.

130. In the present case, Table No. 3 of the Petition describes the excess/deficit in power purchase cost of Rs. 459.55 Crore and transmission cost of (-) Rs. 50.18 Crore as cumulative figures “till March, 2026”. It then arrives at an amount of Rs. 395.59 Crore after accounting for the FPPAS recovered up to February, 2026, and divides that amount by the stated March sales of 981.86 MU to arrive at Rs. 4.029 per unit. The Petition does not provide, in the form required by Regulation 26(2)(a), a month-specific computation setting out the values of A, B, C, D, E and Z and the relevant ABR and loss parameters for the month to which the surcharge relates. A cumulative year-end variance divided by one month's sales cannot, without the necessary reconciliation and demonstration, be treated as a substitute for the monthly formula prescribed by the Regulations.

131. The Commission further observes that the Petition describes Rs. 6.76 per kWh as “ABR/Average Cost of Supply”. Regulation 26(2)(a), however, specifically refers to ABR, i.e. the Average Billing Rate for the year as taken from the Tariff Order. Average Cost of Supply and Average Billing Rate are not interchangeable expressions. The Petitioner has not furnished a clear reconciliation identifying the precise ABR adopted from

the applicable Tariff Order for FY 2025-26 and demonstrating its use in the formula. The Petitioner is required to use the parameter expressly prescribed by the Regulations and not a different or ambiguously described rate.

132. On the issue of arrears, the Commission is conscious that the mere description of an amount as arrears does not, by itself, render the amount inadmissible. Bills may be raised or revised by generating companies and transmission licensees after the relevant energy has been supplied, and the timing of receipt of such bills may not be entirely within the control of the distribution licensee. Nevertheless, the inclusion of prior-period bills in a monthly FPPAS computation must be supported by sufficient particulars to establish that the amount represents an eligible variation in power purchase or transmission cost, is attributable to the licensed distribution business, has not been recovered earlier, and is not otherwise excluded by the Regulations. The fact that a bill has been raised or paid does not dispense with the Commission's obligation to undertake a prudence check and prevent double recovery.

133. In this regard, Regulation 26(2)(b) expressly excludes charges on account of the Deviation Settlement Mechanism from power purchase cost for the purpose of FPPAS. Regulation 26(2)(c) further excludes ancillary services and security constrained economic despatch charges from FPPAS and provides that such charges are to be adjusted through

the true-up approved by the Commission. The Petitioner has stated in its rejoinder that UI/DSM charges are not included in the FPPAS computation. This statement shall be verified against the underlying source-wise and month-wise statements at the time of true-up. Any amount falling within the exclusions in Regulation 26(2)(b) or (c) shall be excluded from the FPPAS computation, irrespective of whether it has been paid or booked in the accounts.

134. The stakeholders have also raised concerns regarding the prudence of short-term procurement, comparison of exchange purchase rates with market clearing prices, sale of power outside the State, shortfall in own generation, scheduling and deviation, and the effect of the withdrawal or allocation of State Government's free/equity power. HPSEBL has disputed these allegations and has submitted that the landed cost reflected in its working is not directly comparable with the exchange clearing price and that the matter of procurement from particular sources is not the subject matter of the present Petition. The Commission is of the view that the question of source-wise procurement and operational efficiency cannot be brushed aside where the licensee seeks to pass through the resulting costs to consumers. Under Regulation 24, the Commission may disallow an increase in total power procurement cost arising from additional procurement that does not satisfy the prescribed criteria. Further, the power purchase cost and

revenue from sale of surplus power are to be assessed consistently with Regulation 25. However, at the same time, the Commission does not consider it appropriate, in these proceedings and on the present material, to record a final finding that all short-term purchases, exchange purchases, generation shortfalls or sale transactions questioned by the stakeholders were imprudent. Such a finding would require examination of the contemporaneous demand and availability position, source-wise schedules, merit-order position, hydrological conditions, outages, banking transactions, exchange bids and prices, and the reasons for each purchase and sale. Those matters shall be examined on documentary evidence in the annual true-up for FY 2025-26. The Petitioner shall bear the burden of substantiating that the costs claimed were necessary, actually incurred, attributable to supply to consumers and prudently incurred.

135. The Commission also finds merit in the stakeholders' concern regarding reconciliation of the arrears included in the present claim with any arrears or provisions already factored into the ARR or tariff determination for FY 2026-27. The Petitioner has asserted that the present claim has accounted for the arrears already approved by the Commission. However, a categorical assertion is not a substitute for a generator-wise and bill-wise reconciliation. HPSEBL shall establish, with supporting documents and certification by its authorised officer, that no

component of the amount claimed in the present proceedings has been allowed or recovered through the ARR, tariff, any earlier FPPAS, or any other adjustment. Any duplication shall be excluded.

136. The objections regarding non-publication of the monthly computations and supporting data also require attention. Regulation 26(1)(l) obliges the licensee to publish the FPPAS formula, monthly calculations and recovery separately for automatic and approved portions on its website and to archive the same through a dedicated web address. HPSEBL has submitted that the computation and relevant data have been placed on the record of the Petition. Filing information before the Commission does not, by itself, establish compliance with the separate obligation to publish and archive the prescribed information for consumers. HPSEBL shall demonstrate compliance with Regulation 26(1)(l), including the dates of publication and the web links through which the relevant month-wise computations and recovery details were made available.

137. The Commission is of the view that the claim of Rs. 362.40 Crore cannot be verified or determined on the basis of the limited material placed in the present miscellaneous Petition. The claim arises from the Petitioner's computation of FPPAS for March, 2026. Its admissibility will depend upon verification, during the annual true-up for FY 2025-26, of the month-wise computation under Regulation 26(2), the applicable ABR

and approved cost parameters, actual power purchase and transmission expenditure, treatment of arrears, compliance with the prescribed mechanism, and the prudence of the expenditure. The Commission has not, in these proceedings, verified the authenticity, correctness or admissibility of the amount claimed.

138. Accordingly, the Commission agrees to carry forward the Petitioner's claim of Rs. 362.40 Crore for consideration in the annual true-up exercise for FY 2025-26, on the basis of the audited accounts of HPSEBL, subject to verification and prudence check. This agreement to carry forward the claim is procedural and does not constitute approval of the claimed amount, in whole or in part, or a finding that the amount is recoverable from consumers. The claim shall be examined in the true-up proceedings, and its admissibility and the manner and extent of recovery, if any, shall be determined in accordance with Regulation 26 and the other applicable provisions of the MYT Regulations, 2023.

139. During the true-up proceedings, the Commission shall examine the proper application of Regulation 26(1)(g)(ii), including the distinction between the 5% component, 90% of the balance FPPAS recoverable automatically under the Regulations, and the differential component requiring the Commission's approval during annual true-up. HPSEBL shall not presume that the amount of Rs. 362.40 Crore is admissible merely because the claim is being carried forward. The Commission has

not verified the authenticity or correctness of the amount claimed in this Order. Such verification, including the determination of the actual admissible amount, shall be undertaken during the true-up proceedings. The carrying forward of the claim shall not, by itself, be construed as disallowance of any component otherwise recoverable automatically under the Regulations.

140. The Petitioner's computation also requires examination, as the table relies upon cumulative cost variations up to March, 2026 and does not provide complete month-specific workings of all variables prescribed under Regulation 26(2)(a). The expression 'ABR/Average Cost of Supply' and the adoption of Rs. 6.76 per unit shall be substantiated with reference to the applicable Tariff Order. The Commission shall also verify that charges excluded under Regulation 26(2)(b) and (c), including Deviation Settlement Mechanism charges, ancillary services and security-constrained economic despatch charges, have not been included in the FPPAS computation.

141. The inclusion of arrears amounting to Rs. 264.81 Crore in the March, 2026 power purchase bills also requires detailed scrutiny. HPSEBL shall provide bill-wise, source-wise and period-wise particulars of such arrears, including the date and basis of revision, the date of receipt and payment, and the relevant generating station or supplier. HPSEBL shall reconcile the arrears with amounts already considered in

the ARR, tariff determination, earlier true-up proceedings or previous FPPAS calculations, so as to rule out double counting or double recovery.

142. During the annual true-up proceedings, HPSEBL shall furnish: (i) month-wise workings of each variable under Regulation 26(2)(a), in editable spreadsheet form with formulae intact; (ii) the applicable ABR, approved power purchase cost, approved transmission charges and loss parameters adopted from the relevant Tariff Order; (iii) source-wise and month-wise quantum and cost of power purchase, including banking, exchange purchases and sales; (iv) details of own generation against approved and revised projections, with reasons for shortfall; (v) transmission-charge bills and a month-wise reconciliation with the approved base cost; (vi) complete details of arrears, identifying the source, period, bill date, revision and payment; (vii) reconciliation of FPPAS billed and recovered, separately identifying the components under Regulation 26(1)(g)(ii); (viii) category-wise details of FPPAS billed and recovered; (ix) reconciliation establishing that no amount has been allowed or recovered twice; and (x) proof of compliance with the publication requirement under Regulation 26(1)(l).

143. The Commission shall also undertake a prudence check of the power procurement and related expenditure, including the quantum and source of short-term purchases, exchange purchases and sales, own

generation, banking transactions, surplus power sale realisations, transmission charges and deviations from the approved power procurement plan. HPSEBL shall furnish the relevant comparative data, approvals, contracts, invoices, payment records and reasons for material deviations. No amount shall be allowed merely because it has been booked or paid; admissibility shall be determined in accordance with the Act, the MYT Regulations, the applicable Tariff Orders and the prudence principles governing power procurement.

144. Any claim for carrying cost, if raised, shall be examined separately and strictly in accordance with Regulation 26(1)(c) to (f), having regard to the prescribed timelines, the conditions and limits for carry-forward, the period within which the carried-forward amount is required to be recovered, and any established force majeure circumstance. No carrying cost is approved by this Order.

145. The Commission clarifies that this Order does not approve the Petitioner's computation of FPPAS at Rs. 4.029 per unit or the amount of Rs. 362.40 Crore for recovery. The claim of Rs. 362.40 Crore is agreed to be carried forward for consideration in the annual true-up for FY 2025-26 on the basis of HPSEBL's audited accounts, subject to verification, prudence check and determination of its admissibility. The Commission has not verified the authenticity or correctness of the amount claimed in the present proceedings. The Commission shall determine, during the

true-up, the amount, if any, admissible for recovery, after considering the Petitioner's detailed submissions and the objections of stakeholders.

146. The objections regarding the absence of a Member (Law) and the request to defer the proceedings have also been considered. The Commission has proceeded to decide the matter in exercise of its statutory jurisdiction under the Act2003 and the applicable Regulations. No order of a competent court or other authority restraining the Commission from proceeding in the present matter has been brought on record.

147. For the foregoing reasons, the Commission agrees to carry forward HPSEBL's claim of Rs. 362.40 Crore for consideration in the annual true-up for FY 2025-26, based on the Petitioner's audited accounts. The claim is not being verified or adjudicated as to its authenticity, correctness or admissibility in this miscellaneous proceeding. Those aspects, together with the component-wise treatment under Regulation 26(1)(g)(ii), shall be examined and determined during the annual true-up exercise.

FINAL ORDER

148. In view of the aforesaid discussions and findings on Point No. 1, the Petition disposed of with the following directions:

(a) The Commission agrees to carry forward the claim of Rs. 362.40 Crore made by HPSEBL as differential FPPAS for March, 2026, for consideration during the annual true-up proceedings for FY 2025-26, on the basis of HPSEBL's audited accounts. This Order does not approve the amount claimed or authorise its recovery. The claim shall be examined and determined during the true-up proceedings.

(b) The claim of Rs. 362.40 Crore is carried forward for consideration in the annual true-up for FY 2025-26 and is neither approved nor finally disallowed by this Order. HPSEBL shall include the claim in its annual true-up petition/proceedings for FY 2025-26. The Commission shall determine its admissibility, component-wise treatment under Regulation 26(1)(g)(ii), and the manner and extent of recovery, if any, in accordance with the MYT Regulations, 2023, after verification and prudence check. The Commission has not verified the authenticity or correctness of the amount in the present proceedings.

(c) During the true-up proceedings, HPSEBL shall submit complete month-wise workings of FPPAS in accordance with Regulation 26(2)(a), identifying each prescribed variable, the applicable ABR, approved power purchase and transmission cost parameters, and

loss parameters, in editable spreadsheet form with formulae intact, together with all supporting bills and source-wise data.

(d) HPSEBL shall furnish a complete reconciliation of the arrears included in the claim, including the Rs. 264.81 Crore stated to be included in the March, 2026 power purchase bills. The reconciliation shall identify the source, period, bill, revision and payment particulars, and establish that the amounts have not already been considered or recovered through ARR, tariff determination, previous true-up or earlier FPPAS.

(e) HPSEBL shall demonstrate that charges excluded under Regulation 26(2)(b) and (c), including Deviation Settlement Mechanism charges, ancillary services and security-constrained economic despatch charges, have not been included in the FPPAS claim.

(f) HPSEBL shall furnish source-wise details of power procurement, own generation, banking, exchange purchases and sales, surplus power sale realisations, and reasons for material deviations from the approved power procurement plan, along with relevant approvals, contracts, invoices and payment records, to enable a prudence check.

(g) HPSEBL shall furnish category-wise details of FPPAS billed and recovered, separately identifying the 5% component and the

differential component contemplated under Regulation 26(1)(g)(ii), and shall reconcile these amounts with the actual consumer billing and collection records.

(h) HPSEBL shall place on record proof of compliance with Regulation 26(1)(l), including the web address and archived month-wise details of the FPPAS formula, calculations and recovery, separately identifying the automatic and approved portions.

(i) Any claim for carrying cost shall be supported by the relevant month-wise computation and facts and shall be examined strictly in accordance with Regulation 26(1)(c) to (f).

(j) Nothing in this Order shall be construed as a final determination that any component otherwise recoverable automatically under Regulation 26(1)(g)(ii) is disallowed. The actual amount, its classification and its admissibility shall be verified and determined during the annual true-up in accordance with the Regulations.

(k) No separate or additional recovery of the disputed amount of Rs. 362.40 Crore is authorised by this Order. Any recovery shall be governed by Regulation 26 and shall be subject to the Commission's determination during the annual true-up, without prejudice to the operation of the automatic recovery mechanism expressly provided under the Regulations. Carry-forward of the

claim for true-up consideration does not amount to verification or approval of the claimed amount.

The file after needful be consigned to the records.

Announced

19.11.2026

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(Shashi Kant Joshi)
Member-cum-Chairman

HPERC