

**ODISHA ELECTRICITY REGULATORY COMMISSION  
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**PUBLIC NOTICE**

**Sub: Publication for OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022.**

The Commission has framed the draft OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022 in accordance with Section 181 read with Section 61, 62 & 86 of the Electricity Act, 2003.

The Commission hereby publishes the proposed OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022 for information of the general public under Section 181(3) of the Electricity Act, 2003.

The proposed Regulations is available in the Commission's website: **www.orierc.org**. The copies of the proposed Regulations may also be obtained from the Commission's office by payment of Rs.50.00 in shape of Bank Draft drawn in favour of OERC or in cash to be deposited with the Accounts Officer, OERC.

Before finalisation of the said Regulation, the Commission invites opinion through this publication u/s 181(3) of the Electricity Act, 2003. Interested persons/institutions/associations /Generating companies/Licensees and other stakeholders may furnish their suggestions/opinions on the said Regulation to the undersigned on or before **14.11.2022 (by 5.00 P.M.)**. On receipt of the responses from different quarters, the Commission may, in appropriate cases, bring the modifications, if any, to the proposed Regulations and approve the same for publication in the official gazette.

By order of the Commission

Bhubaneswar  
Date: 13.10.2022

Sd/-  
**SECRETARY**

**Draft**

**Odisha Electricity Regulatory Commission  
(Terms and Conditions for Determination of  
Wheeling Tariff and Retail Supply Tariff)  
Regulations, 2022**



**ODISHA ELECTRICITY REGULATORY COMMISSION**

**XXXX, 2022**

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Draft

**ODISHA ELECTRICITY REGULATORY COMMISSION**  
**BIDYUT NIYAMAK BHAWAN**  
**BHUBANESWAR – 751021**

**NOTIFICATION**

The **XX<sup>th</sup>XXXXX**, 2022

No. OERC/RA/RST. REGU.–36/2021- \_\_\_\_\_ - In exercise of powers conferred under Sections 61, 62 and 86 read with Section 181 of the Electricity Act, 2003 (Act 36 of 2003) and all other powers enabling it in that behalf, the Odisha Electricity Regulatory Commission hereby makes the following Regulations, namely:

**1. PRILIMINARY**

**1.1. Short Title, Applicability, Commencement and Extent**

- 1.1.1. These Regulations shall be called “**Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022**”.
- 1.1.2. These Regulations shall come into effect from the date of their publication in the Official Gazette and shall remain in force till March 31, 2028, unless otherwise reviewed/extended by the Commission.
- 1.1.3. These Regulations shall extend to the whole of the State of Odisha.
- 1.1.4. The Commission in specifying these Regulations shall be guided by the principles contained in Section 61 to 65 of the Act.
- 1.1.5. These Regulations shall be applicable to all existing and future Distribution Licensees and their successors, if any;
- 1.1.6. The Orissa General Clauses Act, 1937 shall apply to the interpretation of these Regulations.
- 1.1.7. These Regulations shall supersede the OERC (Terms & Conditions for Determination of Wheeling Tariff and Retail Supply tariff) Regulations, 2014.

**1.2. Definitions and Interpretation**

- 1.2.1. In these Regulations, unless the context otherwise requires-
  - 1) “**Act**” means the Electricity Act, 2003 as amended from time to time;
  - 2) “**Aggregate Revenue Requirement**” or “**ARR**” means the annual revenue requirement comprising of allowable expenses and return for a Financial Year, pertaining to the Licensed business which are permitted, in accordance with these Regulations, to be recovered from the tariffs and charges determined by

the Commission;

- 3) **“Allocation Statement”** means for each Financial Year, a statement in respect of each of the separate businesses of the Distribution Licensee for optimum utilization of its assets, showing the amounts of any revenue, cost, asset, liability, reserve or provision etc., which has been either:
- i. charged from or to each such Other Business together with a description of the basis of that charge; or
  - ii. determined by apportionment or allocation between different businesses of the licensee including the Licensed Businesses, together with a description of the basis of the apportionment or allocation:

Provided that ‘Allocation Statement’ shall not be construed as a substitute for maintaining separate accounting statement for the regulated business and other businesses of the Distribution Licensees.

Provided that for the purpose of these Regulations, the licensed business of the Distribution Licensee for an area of supply would be separated as Wheeling business and Retail Supply business;

- 4) **“Applicant”** means a Distribution Licensee who has made an application for determination of Aggregate Revenue Requirement and tariff in accordance with the Act and these Regulations and includes a Distribution Licensee whose tariff is the subject of a review by the Commission on Suo- motu basis or as part of a Truing-up exercise;
- 5) **“Area of Supply”** means the area within which a Distribution Licensee is authorised by its license to supply electricity;
- 6) **“Auditor”** means an auditor appointed by the applicant, in accordance with the provisions of sections 224, 223B and 619 of the Companies Act, 1956 (1 of 1956), as amended from time to time or Chapter X of the Companies Act, 2013 (18 of 2013) or any other law for the time being in force;
- 7) **“Authority”** means Central Electricity Authority referred to in Section 70 of the Act;
- 8) **“Bank Rate”** shall mean the Bank Rate declared by the Reserve Bank of India from time to time;
- 9) **“Base Rate”** shall mean the one-year Marginal Cost of Lending Rate (‘MCLR’) as declared by the State Bank of India from time to time;
- 10) **“Base Year”** means the Financial Year immediately preceding the first year of the applicable Control Period;
- 11) **“Change in Law”** means occurrence of any of the following events:
- (i) the enactment, bringing into effect, adoption, promulgation, amendment, modification, repeal or enactment of any Indian law; or

- (ii) change in interpretation or application of any Indian law by a competent court, Tribunal or Indian Governmental Instrumentality which is the final authority under law for such interpretation or application; or
  - (iii) change by any competent statutory authority, in any condition or covenant of any consent or clearances or approval or license available or granted for the project; or
  - (iv) any change in taxes or duties, or introduction of any taxes or duties levied by the Central or any State Government excluding the change in taxes and duties related to O&M expenses
- 12) **“Collection Efficiency”** for a period is defined as the ratio of actual revenue collected for sale of energy excluding arrear and actual amount billed for sale of energy expressed as percentage.
- 13) **“Commission”** means the Odisha Electricity Regulatory Commission referred to in sub-section (1) of the Section 82 of the Act;
- 14) **“Competitive Bidding”** means a transparent process for procurement of power, equipment, services and works in which bids are invited by the procurer by open advertisement covering the scope and specifications of the power requirement, equipment, services and works required, and the terms and conditions of the proposed contract as well as the criteria by which bids shall be evaluated, and shall include domestic competitive bidding and international competitive bidding;
- 15) **“Control Period”** means a multi-year period comprising first five Years from FY 2023-24 to FY 2027-28, and as may be extended by the Commission from time to time;
- 16) **“Day”** means the 24-hour period starting at 00:00 hour;
- 17) **“Distribution Loss”** means the difference between the energy input (in units) and the energy sold (in units) as percentage of the total input energy (in units) measured through appropriate meter;
- 18) **“De-capitalisation”** means reduction in Gross Fixed Assets of the project corresponding to the removal of assets as admitted by the Commission corresponding to inter-unit transfer of assets or the assets taken out from service;
- 19) **“Deemed Distribution Licensee”** means a person deemed to be a Distribution Licensee under Section 14 of the Act;
- 20) **“Distribution Business”** means the business of operating and maintaining a distribution system for supplying electricity in the area of supply of the Distribution Licensee;
- 21) **“Distribution Licensee”** means a Licensee authorised to operate and maintain a distribution system for supplying electricity to consumers in its area of supply;
- 22) **“Distribution System User”** means a retail consumers of the Distribution



licensee to whom the electricity is supplied by the Distribution licensee through their own distribution infrastructure along with the person who has been allowed open access to the distribution system of a distribution licensee and the consumer or a class of consumers allowed to receive supply from a person other than a distribution licensee;

- 23) **“Distribution Wheeling Business”** means the business of operating and maintaining a distribution system for wheeling of electricity in the area of supply of the Distribution Licensee;
- 24) **“Detailed Project Report Scheme”** (or "DPR Scheme") means a capital expenditure Scheme with projected capital cost exceeding the limits specified in the guidelines for in-principle clearance of proposed Investment schemes or any such amount stipulated by the Commission, for which the Distribution licensee, as the case may be, is required to obtain prior in-principle approval by submitting a Detailed Project Report (DPR);
- 25) **“Effective Date”** means date of vesting of erstwhile CESU, WESCO, NESCO and SOUTHCO to TPCODL, TPWODL, TPNODL and TPSODL on 01.06.2020, 01.01.2021, 01.04.2021 and 01.01.2021 respectively as per the Vesting Orders
- 26) **“Erstwhile DISCOMs / Distribution Licensees”** means CESU, WESCO, NESCO and SOUTHCO
- 27) **“Expected Revenue from Tariff and Charges”** means the revenue estimated to accrue to the Distribution Licensee from the Regulated Business at the prevailing tariffs and charges;
- 28) **“Existing Project”** means a project declared under commercial operation on a date prior to April 01, 2023;
- 29) **“Extended Life”** means the life of a Distribution system or element thereof, beyond the period of Useful Life, as may be approved by the Commission on a case to case basis;
- 30) **“Financial statement”** means for each Financial Year, the following statements, namely-
  - (i) balance sheet, prepared in accordance with the form contained in Part I of Schedule III to the Companies Act, 2013 as amended from time to time or Part I of Schedule VI to the Companies Act, 1956 as amended from time to time, whichever is applicable;
  - (ii) profit and loss account, complying with the requirements contained in Part II of Schedule III to the Companies Act, 2013 or Part II of Schedule VI to the Companies Act, 1956, as amended from time to time, whichever is applicable;
  - (iii) cash flow statement, prepared in accordance with the Accounting Standard on Cash Flow Statement (AS-3) of the Institute of Chartered Accountants of India and as per Section 2(40) of the Companies Act 2013;

- (iv) report of the statutory auditors;
- (v) reconciliation statement, duly certified by the statutory auditors, showing the accounting statement under Indian Accounting standard (IND AS) and Generally Accounting Accepted Principles (GAAP) for reconciliation between the total expenses, revenue, assets and liabilities, of the entity as per financial statement and Regulatory format;
- (vi) cost records as reflected in the books of accounts defined in Section 2 (13) of the companies Act 2013 or Section 209(1)(d) of the Companies Act, 1956 along with Cost Audit Reports;

together with notes thereto, and such other supporting statements and information as the Commission may direct from time to time;

Provided that the revised schedules and forms as stipulated under the Companies Act, 2013 shall be applicable from the date as prescribed therein:

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

- 31) **“Financial Year”** means a period commencing on 1st April of a calendar year and ending on 31st March of the subsequent calendar year;
- 32) **“Fixed Asset”** means an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business
- 33) **“Fees”** means fees payable to the Commission for filing of Petitions and other applications as per Schedule of fees approved by the Commission;
- 34) **“Force Majeure”** for the purpose of these regulations means the event or circumstance or combination of events or circumstances including those stated below which partly or fully prevents the distribution company to discharge its function as per the Licence Conditions and only if such events or circumstances are not within the control the distribution company and could not have been avoided, had the distribution company taken reasonable care or complied with prudent utility practices:
  - a. Act of God including lightning, drought, fire and explosion, earthquake, volcanic eruption, landslide, flood, cyclone, typhoon, tornado, geological surprises, pandemic or exceptionally adverse weather conditions which are in excess of the statistical measures for the last hundred years; or
  - b. Any act of war, invasion, armed conflict or act of foreign enemy, blockade, embargo, revolution, riot, insurrection, terrorist or military action; or
  - c. Industry wide strikes and labour disturbances having a nationwide impact in India;

- 35) **“Fuel and Power Purchase Adjustment Surcharge (FPPAS)”** means the increase in cost of power supplied to the Distribution Licensee(s), due to increase in fuel cost, fixed cost, transmission charges etc. with respect to cost of power purchase approved by the Commission.
- 36) **“GRIDCO”** means GRIDCO Limited;
- 37) **“Gross Fixed Asset”** means historical cost of an asset or gross book value the company had to pay in order to possess the fixed asset or other amount substituted for historical cost in the books of account or financial statements;
- 38) **“Index Esc”** means the average Inflation escalation to be considered on the basis weightage specified for the Distribution licensee with respect to WPI and CPI respectively of the relevant year;
- 39) **“Licensed Business”** shall mean the functions and activities, which the Licensee is required to undertake in terms of the License granted by OERC or deemed to have been granted;
- 40) **“Licensee”** means a person who has been granted a License and shall include a deemed Licensee;
- 41) **“New DISCOMs / Distribution Licensees”** means TPCODL, TPWODL, TPNODL, TPSODL
- 42) **“Non-DPR Scheme”** means a capital expenditure Scheme with projected capital cost within the limits specified in the guidelines for in-principle clearance of proposed Investment schemes or any such amount stipulated by the Commission, for which the Distribution licensee, is not required to obtain prior in-principle approval of the Commission;
- 43) **“Operation and Maintenance Expenses”** or **“O&M expenses”** means the expenditure incurred on operation and maintenance of the electricity Distribution System, or part thereof, and includes the expenditure on Employee Expense, Repair and Maintenance Expense and Administrative & General Expense;
- 44) **“OPTCL”** means Odisha Power Transmission Corporation Limited the Transmission Licensee. (a deemed Transmission Licensee under Section 14 of Electricity Act, 2003) notified as the State Transmission Utility (STU) by the State Government and discharging the State Load Dispatch functions;
- 45) **“Other Business”** means other businesses of the Distribution Licensee under Section 51 of the Electricity Act 2003;
- 46) **“Person”** means any company or body corporate or association or body of individuals, whether incorporated or not, or artificial juridical person as defined under Section 2(49) of the Electricity Act 2003;
- 47) **“Prudence Check”** means scrutiny of reasonableness of any cost or expenditure incurred or proposed to be incurred, financing plan, use of efficient technology,

cost and time over-run and such other factors as may be considered appropriate by the Commission for determination of tariff; in accordance with these regulations. While carrying out the Prudence Check, the Commission shall look into whether the distribution licensee has been careful in its judgments and decisions for executing the project or has been careful and vigilant in executing the project;

- 48) **“Regulated Business”** means any electricity business, which is regulated by the Commission.
- 49) **“Retail Supply Business”** means the business of sale of electricity by a Distribution Licensee to the category of consumers within its area of supply in accordance with the terms of the License for distribution of electricity;
- 50) **“Retail Supply Tariff”** is the tariff charged by the Distribution Licensee for supply of electricity to its consumers other than open access consumer;
- 51) **“Useful life”** in relation to distribution system from the date of commercial operation shall mean the following, namely:
- |     |   |           |
|-----|---|-----------|
| i   | AC and DC sub-station:                              | 25 years; |
| ii  | Gas Insulated Sub-station (GIS)/Hybrid sub-station: | 35 years; |
| iii | Distribution line:                                  | 35 years; |
| iv  | Communication System                                | 15 years  |
- 52) **“Vesting Orders”** shall individually and collectively mean the Orders issued by the Commission with respect to sale of erstwhile Distribution Utilities under Section 20 of the Electricity Act 2003 and for vesting of Utility to the intending purchaser under Section 21 of the said Act as under:
- i. Case No. 11/2020 dated 26.05.2020 in which the utility of CESU was vested and license of CESU was transferred to the SPV Tata Power Central Odisha Distribution Limited (the “TPCODL”) in which the Tata Power Company Limited (TPCL) and Government of Odisha (“GoO”) through GRIDCO shall hold 51% and 49% equity shares respectively after the completion of sale;
  - ii. Case No. 82/2020 dated 28.12.2020 in which the utility of WESCO was vested and license of WESCO was transferred to the SPV Tata Power Western Odisha Distribution Limited (the “TPWODL”) in which the Tata Power Company Limited (TPCL) and Government of Odisha (“GoO”) through GRIDCO shall hold 51% and 49% equity shares respectively after the completion of sale;
  - iii. Case No. 9/2021 dated 25.03.2021 in which the utility of NESCO was vested and license of NESCO was transferred to the SPV, Tata Power Northern Odisha Distribution Limited (the “TPNODL”) in which the Tata Power Company Limited (TPCL) and Government of Odisha (“GoO”) through GRIDCO shall hold 51% and 49% equity shares respectively after the completion of sale;

iv. Case No. 83/2020 dated 28.12.2020 in which the utility of SPUTHCO was vested and license of SOUTHCO was transferred to the SPV, Tata Power Southern Odisha Distribution Limited (the “TPSODL”) in which the Tata Power Company Limited (TPCL) and Government of Odisha (“GoO”) through GRIDCO shall hold 51% and 49% equity shares respectively after the completion of sale;

53) **“Wheeling”** means the operation whereby the distribution system and associated facilities of a Distribution Licensee, are used by another person for the conveyance of electricity on payment of charges to be determined under these Regulations;

54) **“Wheeling Business”** means the business of operating and maintaining a distribution system for conveyance of electricity in the area of supply of the Distribution Licensee;

55) **“Year”** means a Financial Year (FY) i.e. starting from 1<sup>st</sup>April and ending on 31<sup>st</sup>March of the next year.

1.2.2. The words and expressions used in these regulations and not defined herein but defined in the Act or any other regulation of the Commission shall have the meaning assigned to them under the Act or any other regulation of the Commission.

1.2.3. All proceedings under these Regulations shall be governed by the OERC (Conduct of Business) Regulations, 2004 as amended from time to time.

### 1.3. **Scope of Regulations and extent of their application**

1.3.1. In accordance with the principles laid out in these Regulations, the Commission shall determine the Aggregate Revenue Requirement (ARR) and tariff for:

- i. Wheeling of electricity, i.e. Wheeling Tariff;
- ii. Retail sale of electricity, i.e. Retail Supply Tariff;

Provided that in case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may, for promoting competition among Distribution Licensees, fix only maximum ceiling of tariff for retail sale of electricity:

Provided further that where the Commission has permitted open access to any category of consumers under Section 42 of the Act, such consumers, notwithstanding the provisions of clause (d) of sub-section (1) of Section 62 of the Act, may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them:

Provided also that the Commission shall determine the Wheeling Tariff, cross-subsidy surcharge, additional surcharge and other open access related charges in accordance with these Regulations and OERC (Terms and Conditions of Intra-state Open Access) Regulations, 2020 as amended from time to time.

- 1.3.2. The Distribution Licensee shall file Petition containing separate details for determination of Aggregate Revenue Requirement for Distribution Wheeling Business and Retail Supply Business.
- 1.3.3. The ARR determined for the Wheeling Business shall be used to fix the Wheeling Tariff for wheeling of electricity.
- 1.3.4. The ARR determined for Retail Supply Business shall be used to fix the Retail Supply Tariff for retail sale of electricity.
- 1.3.5. The Commission shall also determine surcharge in addition to the charges for wheeling under the first proviso to sub-section (2) of Section 42 of the Act, in accordance with the OERC (Terms and Conditions of Intra-state Open Access) Regulations, 2020 and as amended by the Commission from time to time.
- 1.3.6. The Commission shall also determine additional surcharge on the charges for wheeling under subsection (4) of Section 42 of the Act, in accordance with the OERC (Terms and Conditions of Intra-state Open Access) Regulations, 2020 and as amended by the Commission from time to time.
- 1.3.7. Notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government pursuant to Section 63 of the Act.

#### **1.4. Norms of operation to be ceiling norms:**

- 1.4.1. The norms of operation specified under these Regulations are the ceiling norms and this shall not preclude the Distribution Licensee from accepting improved norms of operation as determined by the Commission and such improved norms shall be applicable for determination of tariff.

Where in case of distribution of electricity in the same area by two or more Distribution Licensees, the Commission may, for promoting competition among Distribution Licensees, fix only maximum ceiling of tariff for retail sale of electricity.

## **2. GENERAL APPROACH AND GUIDING PRINCIPLES**

### **2.1. Business Plan**

2.1.1. The Distribution Licensee shall file for the Commission's approval, not less than 120 days before the commencement of the first year of the Control Period or such other date as may be directed by the Commission, a Long-Term Business Plan prepared in accordance with these regulations for the entire Control Period. The Business Plan shall be filed for the wheeling and retail supply business and shall, interalia, contain:

- 1) Sales/Demand Forecast for each consumer category and sub-category for each year of the Control Period;
- 2) Distribution loss reduction trajectory and collection efficiency for each year of the Control Period;
- 3) Power Procurement Plan including details of availability of power from renewable energy source as concurred by GRIDCO for each year of the business plan period as per the terms of Vesting Orders. The Distribution Licensee shall project the power purchase requirement based on the Quantum of Renewable Purchase Obligation (RPO), and the target set, if any, for Energy Efficiency (EE) and Demand Side Management (DSM) schemes;
- 4) The Capital Investment Plan shall be prepared in accordance with the sales/demand forecast, power procurement plan, distribution loss trajectory, targets for quality of supply etc. The Capital investment plan shall be consistent with the perspective plan developed by the State Transmission Utility (STU) based on the data submitted by the Distribution Licensees and Load Flow studies conducted in line with the requirements of the State Grid Code. The planning of Distribution network, based on load flow study, shall be carried out for minimum five (5) year time frame and shall form the basis for capital investment. The investment plan should also include yearly phasing of capital expenditure along with the financing plan and corresponding capitalization schedule with due consideration of capital expenditure as per the Vesting Order. The capital investment plan shall show separately, on-going projects that will spill over into the Control Period, and new projects (along with justification) that will commence in the Control Period but may be completed within or beyond the Control Period. The Commission shall consider and approve the capital investment plan for the Distribution Wheeling Business and Retail Supply Business. The Commission, for its satisfaction, may require the Distribution Licensee to provide relevant technical and commercial details.
- 5) The purpose of investment shall be creation of new assets or augmentation / replacement of existing assets, meeting load growth, technical loss reduction, non-technical loss reduction, meeting energy requirement, custom service improvement in terms of quality & reliability of supply, etc.
- 6) The appropriate capital structure and cost of financing (interest on debt) and

- return on equity, terms of the existing loan agreements, etc;
- 7) The Operation and Maintenance (O&M) costs estimated for each year of the Business Plan Period based on the proposed efficiency in operating costs, norms for O&M cost allowance including indexation and other appropriate mechanism, if any;
  - 8) Details of depreciation based on fair life of the assets and capitalization schedule for each year of the control period.
  - 9) A set of targets proposed for other controllable items such as working capital, quality of supply targets, etc. The targets shall be consistent with the capital investment plan proposed by the Licensee;
  - 10) Proposals for other items such as external parameters used for indexation (inflation, etc);
  - 11) The Distribution Licensee shall forecast expected revenue from prevailing tariff and charges based on the estimates of quantum of electricity to be supplied to consumers and to be wheeled on behalf of Distribution System Users for ensuing Financial Year within the Control Period as on the date of making the application.
  - 12) The filings in addition to the Business Plan period shall also contain the data for the cost and revenue parameters for the previous five years period.
  - 13) The Applicant shall provide full details, supporting the forecast, including but not limited to details of past performance, proposed initiatives for achieving efficiency or productivity gains, technical studies, contractual arrangements and/or secondary research, to enable the Commission to assess the reasonableness of the forecast.
- 2.1.2. The variation in revenue/cost on account of uncontrollable factors and controllable factors shall be trued up annually.
- 2.1.3. For all controllable costs, the Commission may set the targets for each year under review in the approved Business Plan. These targets shall be used for computing revenue requirement.
- 2.1.4. All non-controllable costs shall be treated as pass-through by the Commission after due diligence and prudence check.
- 2.1.5. The performance parameters, whose trajectories have been specified as per these Regulations, shall form the basis of projection of these performance parameters in the Business Plan.
- 2.1.6. Annual review of performance shall be conducted based on the actual vis-à-vis the approved forecast and categorization of variations in performance into controllable factors and uncontrollable factors;



2.1.7. The Commission shall make periodic reviews of the licensee's performance during the control period to address any practical issues, concerns or unexpected outcomes that may arise either in generally or in specific situations.

2.1.8. On receipt of Business Plan application, the Commission shall either:

- (a) issue an Order approving the Business Plan for the entire Control Period, subject to such conditions as it may specify in the said Order; or
- (b) reject the application for reasons to be recorded in writing, as the Commission may deem appropriate:

Provided that the Applicant shall be given a reasonable opportunity of being heard before rejecting his application.

## **2.2. Accounting statement for Wheeling and Retail Supply Business**

2.2.1. The Distribution Licensee for the Distribution Wheeling Business and Retail Supply Business, shall file separate audited accounting statements with the application for determination of tariff and truing up under these Regulations:

Provided that in case complete accounting segregation has not been done between the Wheeling Business and Retail Supply Business, the Aggregate Revenue Requirement of the Distribution Licensee shall be apportioned between Wheeling Business and Retail Supply Business in accordance with the Allocation Matrix specified in these Regulations:

Provided that the Distribution Licensee shall provide the reconciliation statement, duly certified by the statutory auditors, showing the accounting statement under Indian Accounting standard (IND AS) and Generally Accounting Accepted Principles (GAAP) as per financial statement and Regulatory format.

## **2.3. Applicability**

2.3.1. The Multi-Year framework shall apply to applications made for determination of tariff for a Distribution Licensee for Distribution Wheeling Business and Retail Supply Business.

## **2.4. Specific trajectory for certain variables**

2.4.1. While approving the Business Plan Petition, the Commission may stipulate a trajectory for the variables for achieving improved performance during the Control Period:

Provided further that the Distribution Licensee may seek a review of the trajectory at the time of determination of Aggregate Revenue Requirement for the balance Control Period.

## 2.5. Segregation of Wheeling and Retail Supply Business

2.5.1. The Distribution Licensee shall segregate the accounts of the Licensed business into Wheeling Business and Retail Supply Business within 2 years of notification of these Regulations.

2.5.2. The Wheeling Charges of the Distribution Licensee shall be determined by the Commission on the basis of segregated accounts of Wheeling Business:

Provided that till the time the Distribution Licensee submits audited and certified separate accounts for Distribution Wheeling Business and Retail Supply Business, the following Allocation Matrix shall be applicable:

*Allocation matrix for segregation of expenses between Distribution Wheeling Business and Retail Supply Business*

Power Purchase Expenses	0%	100%
Intra-State Transmission Charges	0%	100%
Employee Expenses	60%	40%
Administrative and General Expenses	50%	50%
Repair and Maintenance Expenses	90%	10%
Depreciation	90%	10%
Interest on Long-term Loan Capital	90%	10%
Interest on Working Capital	10%	90%
Bad Debts Written off	0%	100%
Income Tax	90%	10%
Contribution to contingency reserves, if any	100%	0%
Return on Equity	90%	10%
Non-Tariff Income	10%	90%

## 2.6. ARR Filing Procedure

2.6.1. The proceedings to be held by the Commission for determination of tariff shall be in accordance with the OERC (Conduct of Business) Regulations, 2004, as amended from time to time.

2.6.2. The Commission shall annually determine the tariff for Wheeling Business and Retail Supply Business based on an application received from the Licensees in accordance with the procedure contained in these Regulations or suo-moto as per the provisions of the Act.

2.6.3. The licensee as part of his application to the Commission, in such form as may be approved by the Commission from time to time, shall submit full details of his calculation of the Aggregate Revenue Requirement, expected revenue from existing

tariff and charges and other required information with regard to technical, commercial and financial parameters and thereafter, he shall furnish such further information or particulars or documents as the Commission may reasonably require to assess such calculation.

Provided that the application shall be accompanied where relevant, by a detailed tariff and charges revision proposal for Wheeling Tariff and Retail Supply Tariff including its computation, showing category-wise tariff and how such revision would meet the gap, if any, in Aggregate Revenue Requirement for the respective year of the Control Period.

Provided further that the Commission may specify additional/alternative formats for details to be submitted by the licensee, from time to time, as it may reasonably require for assessing the Aggregate Revenue Requirement and for determining the tariff.

- 2.6.4. The licensee in the ARR filing for the ensuing Financial Year shall indicate the manner in which the gap, if any, between the charges permitted to be recovered and the expected revenue calculated, shall be filled up.
- 2.6.5. The licensee shall along with the aforesaid application submit a statement on the status of compliance of directives, if any, issued by the Commission in its last Tariff Order.
- 2.6.6. The licensee shall file combined application for approval of Truing up of previous year; Annual Performance Review (APR) for current year, Annual Revenue Requirement (ARR) and determination of tariff for ensuing Financial Year, every year as per timelines specified in **Annexure-I** of these Regulations.

## **2.7. Issuance of Tariff Order**

- 2.7.1. The Commission shall, within one hundred and twenty (120) days from the date of registration of a complete application and after considering all suggestions and objections received from the public:
  - a. issue an Order approving the application, subject to such modifications and conditions as it may specify in the said Order; or
  - b. reject the application for reasons to be recorded in writing, as the Commission may deem appropriate:

Provided that the licensee shall be given a reasonable opportunity of being heard before rejecting his application.

- 2.7.2. A Tariff Order shall continue to be in force from the date specified in the said Order and shall, unless amended or revoked, continue to be in force for such period as may be stipulated therein.

## 2.8. Adherence to Tariff Order

- 2.8.1. No tariff or part of any tariff may be ordinarily amended, more frequently than once in any Financial year. The Commission, may, after satisfying itself for reasons to be recorded in writing, allow revision of tariff.
- 2.8.2. If any Distribution Licensee recovers price or charge exceeding the tariff determined under Section 62 of the Act and in accordance with these Regulations, the excess amount shall be payable to the person who has paid such price or charge, along with interest equivalent to the Base rate without prejudice to any other liability incurred by such Distribution Licensee.
- 2.8.3. The Licensees shall submit periodic reports as may be required by the Commission, containing operational and cost data to enable the Commission to monitor the implementation of its Order.

## 2.9. Annual determination of tariff

- 2.9.1. The Commission shall determine the tariff of a Distribution Licensee for each Financial Year during the Control Period, at the commencement of such Financial Year, having regard to the following:
  - a. The approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges of the Distribution Licensee for such Financial Year, including modifications approved at the time of mid-term review, if any; and
  - b. Approved gains and losses, including the incentive available, to be passed through in tariffs, following the Truing Up of previous year.

## 2.10. Determination of Tariff

- 2.10.1. The proceedings to be held by the Commission for determination of tariff shall be in accordance with the OERC (Conduct of Business) Regulations, 2004, as amended from time to time.
- 2.10.2. Notwithstanding anything contained in these Regulations, the Commission shall at all times have the authority, either on suo-motu basis or on a Petition filed by the Distribution Licensee, to determine the tariff, including terms and conditions thereof:

Provided that such determination of tariff may be pursuant to an agreement or arrangement or otherwise whether or not previously approved by the Commission and entered into at any time before or after the applicability of these Regulations.

- 2.10.3. Notwithstanding anything contained in these Regulations, the Commission shall adopt the tariff, if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government:

Provided that the Applicant shall provide such information as the Commission may require for satisfying itself that the guidelines issued by the Central Government have been duly followed.

## 2.11. Truing Up

2.11.1. The Distribution Licensee shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.

2.11.2. The Distribution Licensee shall file an Application for Truing up of previous year; along with Annual Performance Review (APR) for current year, Annual Revenue Requirement (ARR) and determination of tariff for ensuing Financial Year, as per Timelines specified in **Annexure-I**:

Provided that the Distribution Licensee, shall submit to the Commission information in such form as may be prescribed by the Commission, together with the Audited Accounts, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges:

2.11.3. The scope of the truing up shall be a comparison of the performance of the Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff charges and shall comprise of the following:

- a. A comparison of the audited performance of the Applicant for the previous Financial Year with the approved forecast for previous Financial Year, subject to the prudence check;
- b. Review of compliance with directives issued by the Commission from time to time;
- c. Other relevant details, if any.

2.11.4. Truing-up shall be carried out, on the basis of actual expenses booked in the audited account of the Distribution Licensee for the particular year, and the expenses allowed in the ARR for the corresponding Financial Year, subject to prudence check by the Commission based on Controllable and Un-controllable costs provided in these Regulations:

Provided that in case variations are large, and it is not feasible to recover in one year alone, the Commission may take a view to create regulatory asset. In respect of the expenses incurred by the Distribution Licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an Applicant vis-a-vis the approved forecast as part of the truing up.

2.11.5. Upon completion of the Truing Up, the Commission shall pass an order recording:

- a. the approved aggregate gains or losses to the Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with these Regulations;
- b. Components of approved cost pertaining to the uncontrollable factors, which were not recovered during the previous year, to be passed through as per these Regulations;
- c. Carrying cost to be allowed on the amount of Revenue Gap or Revenue Surplus for the period from the date on which such gap/surplus has become due, i.e., the interest should be calculated for the period from the middle of the Financial Year in which the revenue gap had occurred upto the middle of the Financial Year in which the recovery has been proposed, calculated on simple interest basis at the weighted average Base Rate of the respective Financial Year or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable for the relevant year:

Provided that carrying cost on the amount of Revenue Gap shall be allowed up to the above limit, subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed;

- d. The Commission may create regulatory assets in case of the Distribution Licensee incurring losses on account of uncontrollable factors under special circumstances at its own discretion to be recovered in a time bound manner:

Provided that the amortization schedule corresponding to the regulatory asset shall be prepared and put in effect along with creation of the regulatory asset:

Provided that the carrying cost of the regulatory asset shall be determined by Commission from time to time taking into account the State Bank Base Rate prevailing as on 1<sup>st</sup> January of the preceding year, for the period for which regulatory asset is proposed to be amortized.

## 2.12. Controllable and Uncontrollable costs

2.12.1. For the purpose of these Regulations, the term “**uncontrollable factors**” shall comprise of the following factors, which were beyond the control of the Applicant, and could not be foreseen and mitigated by the Applicant:

- a. Force Majeure events;
- b. Change in law, judicial pronouncements and Orders of the Central Government, State Government or Commission (as applicable);
- c. Variation in the price of fuel and/ or price of power purchase including Intra-State transmission and SLDC Charges approved by the Commission from time to time;
- d. Variation in the number or mix of consumers or quantum of electricity supplied

to consumers:

Provided that where there is more than one Distribution Licensee within the area of supply of the Applicant, any variation in the number or mix of consumers or in the quantum of electricity supplied to consumers within the area served by two or more such Distribution Licensees, on account of migration from one Distribution Licensee to another, shall be attributable to controllable factors;

- e. Transmission Loss;
- f. Variation in market interest rates;
- g. Taxes and Statutory levies excluding those which are levied on O&M expenses;
- h. Taxes on Income;
- i. Income from realisation of bad debts written off:

Provided that where the Applicant believes, for any variable not specified above, that there is a material variation or expected variation in performance for any Financial Year on account of uncontrollable factors, such Applicant may apply to the Commission for inclusion of such variable at the Commission's discretion, under this Regulation for such Financial Year.

2.12.2. For the purpose of these Regulations, the term “**controllable factors**” shall include, but are not limited to, the following:

- a. Variations in capitalisation on account of time and/or cost overruns/ efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project;
- b. Variation in Operation & Maintenance expenses;
- c. Variation in Interest and Finance Charges, Return on Equity and Depreciation on account of variation in capitalisation, as specified in clause (a) above;
- d. Variations in interest on working capital;
- e. Variations in aggregate technical and commercial (AT&C) losses of Distribution Licensee;
- f. Variations in recovery of past arrears pertaining to erstwhile Distribution Licensees as per terms of Vesting Orders
- g. Variations in performance parameters;
- h. Failure to meet the standards specified by the Commission, as amended from time to time, except where exempted by the Commission;

- i. Bad debts written off.
- j. Any other parameters not specifically listed above

### **2.13. Mechanism for pass through of gains or losses on account of uncontrollable factors**

2.13.1. The approved aggregate gains or losses to the Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

2.13.2. The Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned, and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.

### **2.14. Mechanism for sharing of gains or losses on account of controllable factors**

2.14.1. The gains or losses accruing to the new Distribution Licensees on account of AT&C loss and incentive on past arrear recovery shall be governed by the terms and conditions of Request for Proposal (RfP) documents and Vesting Orders of respective Distribution Licensees.

2.14.2. The Distribution Licensee, if makes profit on account of improved performance [(other than improved AT&C loss, O&M expense (comprising of Employee Expense, A&G expense & R&M Expense) and recovery of past arrears], including but not limited to refinancing of high-cost loan with low-cost loan, the Commission shall treat the profit beyond the approved return in the following manner:

- a. One-third amount to be declared by the licensee as dividends to the shareholders and if it is not paid out as dividend, it shall be eligible to be treated as part of equity to that extent and earn returns on the same. Any future declaration of dividend from this shall lead to commensurate decrease in the equity base for the purpose of returns.
- b. One-third amount to be returned back to consumers by way of reduction in the consumer bills as rebate.
- c. One-third amount shall be kept as tariff balancing reserve, which shall be used to reduce sharp rise in ARR in future years. The Commission may allow a part of the total reserve to be returned to the consumers every three years by way of reduction in ARR. The amount in tariff balancing reserve shall not be eligible to be treated as part of equity and would not earn any return for the shareholders. Any return earned on this reserve shall be added back to this reserve.

Provided that the gains on account of lower O&M expense (comprising of



Employee Expense, A&G expense & R&M Expense) shall be suitably adjusted to reduce the ARR or any other account as decided by the Commission in its Orders after prudence check.

Provided that this sharing mechanism shall be reviewed by the Commission after the expiry of the control period depending upon provision of vesting order.

2.14.3. The approved losses to the Distribution Licensee on account of controllable factors shall be entirely absorbed by the Distribution Licensee or in a manner as specified by the Commission in the Tariff Order.

## 2.15. Subsidy Mechanism

- a. If the State Government requires grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under Section 62 of the Electricity Act 2003, the State Government shall, notwithstanding any direction which may be given under Section 108 of the Electricity Act 2003, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner specified in these Regulations, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government:
- b. The Government shall, by notification, declare the consumers or class of consumers to be subsidised.
- c. The licensee shall make an estimate of subsidy to be provided to the consumers or class of consumers as per the Government notification and file the same with the Commission for approval.
- d. The Commission shall scrutinize the estimate and may require further details, data, documents in support of the estimates, which the licensees are required to file with the Commission within the stipulated time.
- e. The Commission, on according approval forward the same to the State Government with a direction to pay the amount in full with a copy of the approval to the licensee.
- f. On receipt of the approval of the Commission, the Government shall pay the amount to the licensees or the affected person within one month of receipt of such approval.
- g. The amount of subsidies shall be available to the licensees in the form of cash or cash equivalent only.
- h. The licensee shall pay the subsidy received from the Government to the entitled class of consumers in proportion to their energy consumption on actual basis by way of adjustment in the electricity bill.
- i. The licensee shall keep proper accounts of subsidy in such a manner as approved by the Commission and render the same to the Commission within 30 days of the closure of the Year of account.
- j. The difference between the subsidy received from the Government and actual

disbursement to the entitled class of consumers shall be adjusted in the next year.

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard.

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### 3. FINANCIAL PRINCIPLES

#### 3.1. Right to Use Land instead of Transfer

3.1.1. The Distribution Licensees are allowed the right to use the land at nominal rate (at a license fee of INR 1 per year) for the distribution business instead of transfer of land and land rights from the erstwhile Distribution Licensees in a manner mentioned in the Vesting Orders.

Provided that the Distribution Licensees shall be required to comply with the terms of the contract for the land under lease

#### 3.2. Capital Investment

3.2.1. The Distribution Licensee shall submit detailed capital investment plan, financing plan and physical targets for each year of the Control Period for strengthening and augmentation of distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Business Plan applicable for the entire control period and annual proposal for each year of the Control Period.

3.2.2. The Distribution Licensee shall file a separate annual Capital Investment Plan comprising of capital investment plan, financing plan and physical targets for each year of the Control Period as per the timelines specified in **Annexure-I**.

3.2.3. The Distribution Licensee shall be required to ensure optimum investments to enhance efficiency, productivity and meet performance standards prescribed by the Commission and strictly adhering to the approved annual Capital Expenditure plan as per provisions of the Vesting Order.

3.2.4. Capital Investment in network expansion in Distribution shall be based on Load Flow studies and in accordance with the requirements of the State Grid Code.

3.2.5. The Distribution licensee shall submit the Capital Investment Plan that shall show separately, on-going projects that will spill over from previous years, and new projects (along with justification) that will commence but may be completed within or beyond the control period. The capital investment plan shall contain the scheme details, justification for the work, scheduled / expected date of commissioning, justification for delay (if any) in commissioning, cost over-run, time over-run, capitalization schedule, capital structure and cost benefit analysis (wherever applicable).

3.2.6. The Distribution Licensee shall submit the Detailed Project Reports (DPRs) for all the schemes (including network strengthening and expansion/augmentation projects based on load flow study) which shall include:

- a. Scope and Objective;
- b. Purpose of investment;

- c. Broad Technical Specifications of the proposed investment and supporting details;
  - d. Capital Structure;
  - e. Capitalization Schedule;
  - f. Financing Plan, including identified sources of investment;
  - g. Physical targets;
  - h. Cost-benefit analysis;
  - i. Approval from Board of Directors (BoD)
  - j. Prioritization of proposed Investments.
- 3.2.7. The Capital Investment Plan shall be a least cost plan for undertaking investments and shall cover all capital expenditure projects of proposed investment schemes or such other amount as may be stipulated by the Commission from time to time and shall be in such form as may be stipulated.
- 3.2.8. The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of power & distribution substations, consumer strength, transformation capacity (in MVA), HT:LT ratio, distribution line length at HT & LT level etc. showing the need for the proposed investments, alternatives considered, cost/benefit analysis and other aspects that may have a bearing on the wheeling charges of the Distribution Wheeling Business.
- 3.2.9. The Commission shall consider the Capital Investment Plan taking into consideration the prudence of the proposed expenditure and its estimated impact. The Capital Expenditure Plan must be accompanied with approval from the Board of Directors (BoD).
- 3.2.10. Capital investment plan shall incorporate list of schemes in order of priority so as to enable the Commission to approve the schemes in that order and in case lesser amount of capital expenditure is to be approved then the schemes of lower priority could be disallowed.
- 3.2.11. The Distribution Licensee shall be required to consider the annual capital investment plan as approved by the Commission in its Order, in preparation of the Petition for determination of Aggregate Revenue Requirement (ARR) for each year of the control period. The ARR Petition shall include details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require for assessing the progress.
- 3.2.12. In case of any significant shortfall in physical implementation, the Commission shall require the Distribution Licensee to explain the reasons, and may proportionately reduce the provision, including the interest and the return component, made towards revenue requirement, in the next period.

3.2.13. In addition to the approved capital investment plan, the Distribution Licensee can seek provision for additional capital expenditure anytime during the year to meet natural calamities involving substantial investments. The Commission shall examine and if satisfied shall approve the corresponding costs for inclusion in revenue requirement in the next period.

### 3.3. Capital Cost

3.3.1. The Distribution Licensees shall incur capital expenditure in a manner as mentioned in the Vesting Orders for future years and any other manner specified under these Regulations with approval of the Commission. The Capital cost proposed to be incurred for future years must be approved by the Board of Directors (BoD). The Distribution Licensee needs to submit documentary evidence in support of the same. The funding on account of the various ongoing and upcoming schemes of the Government of Odisha will be made available to the Distribution Licensees as and when available and applicable.

3.3.2. Capital Cost for a project shall include:

- a. the expenditure incurred or projected to be incurred, including interest during construction and financing charges up to the date of commercial operation of the project, as admitted by the Commission after prudence check;
- b. capitalised initial spares; and
- c. any gains or losses on account of foreign exchange rate variation pertaining to the loan amount, as admitted by the Commission after prudence check:

Provided that any gains or losses on account of foreign exchange rate variation pertaining to the loan amount availed up to the date of commercial operation shall be adjusted only against the debt component of the capital cost.

- d. Expenditure on account of change in law and force majeure events; and
- e. Capital cost incurred or projected to be incurred on account of the Perform, Achieve and Trade (PAT) scheme or to achieve revised Environmental Norms / Statutory Norms of Government of India will be considered by the Commission on case to case basis, subject to prudence check:

Provided further that the capital cost of the assets forming part of the Project but not put to use or not in use, shall be excluded from the capital cost:

Provided that any capitalisation done by mere book entries / presentation in the financial statements in order to comply with any statute / rules etc. and not in accordance with the Capital Expenditure approved under these Regulations, shall not be allowed by the Commission.

Provided that the Distribution licensee, as the case may be, shall submit documentary evidence in support of its claim of assets being put to use:

Provided also that the Commission may undertake a verification to check if the assets are put to use as submitted by the Distribution licensee, as the case may be, independent of the tariff determination process:

Provided also that the following shall be excluded from the capital cost of the existing and new projects:

- a. The assets forming part of the project, but not in use;
- b. De-capitalised Assets after the date of commercial operation on account of replacement or removal on account of obsolescence or shifting from one project to another project

Provided that in case redeployment of distribution asset is required, such asset shall be de-capitalised only after its redeployment;

Provided further that unless shifting of an asset from one project to another is of permanent nature, there shall be no de-capitalization of the concerned assets.

- c. Any consumer contribution or grant received from the Central or State Government or any statutory body or authority for the execution of the project, which does not carry any liability of repayment;

3.3.3. The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that the prudence check of capital cost may be carried out taking into consideration the benchmark norms specified/to be specified by the Commission from time to time;

Provided that in cases where capital costs have been approved, Distribution licensee shall submit the reasons for exceeding the capital cost from approved value to the satisfaction of the Commission for allowing cost above approved value.

3.3.4. The Distribution licensee, as the case may be, shall furnish the details of capital cost for execution of the existing and new projects as per formats specified/to be specified by the Commission from time to time along with tariff petition for the purpose of creating a database of benchmark capital cost of various components.

3.3.5. The Commission may get the capital cost of any project vetted by an independent agency or an external expert. However, the same shall be considered as guiding factor only and not binding on the Commission as such.

3.3.6. Capital cost to be allowed by the Commission for the purpose of determination of tariff for respective businesses will be based on the Detailed Project Reports (DPRs) and capital investment plan as approved by the Commission at the time of filing of application.

3.3.7. The approved Capital Cost shall be considered for determination of tariff and any escalation in the capital cost for which sufficient justification is provided may be

considered by the Commission subject to prudence check, in accordance with the conditions and methodology specified in this Regulation;

Provided that in case the actual capital cost is lower than the approved capital cost, then the actual capital cost will be considered for determination of tariff of the Distribution Licensee.

3.3.8. The capital cost of the concerned assets shall be considered after deducting the amount of accumulated depreciation computed till the period of asset utilisation for unregulated business or for the period the assets remain unutilised, for the purpose of tariff determination, in the following instances:

- a. The assets have been used for a period of time for unregulated business or the asset/s have become part of the asset base of the regulated business after lapse of time with respect to the date of commercial operation of the asset;
- b. If the asset has not been put to use for the regulated business after date of commercial operation.

3.3.9. The actual capital expenditure on date of commercial operation for the original scope of work based on audited accounts of the Distribution Licensee, limited to original cost may be considered subject to prudence check by the Commission.

3.3.10. The Distribution licensee shall provide a copy of the proposed Capital Investment Plan for Distribution Business, to the State Transmission Utility (STU) for carrying out planning for network augmentation/ strengthening at the time of filing of this plan with the Commission. The copy of approved capital investment plan shall also be sent to the STU, immediately after approval by the Commission so that distribution system and associated transmission system are developed in matching time frame.

3.3.11. Impact of revaluation of assets shall be permitted during the Control Period, provided it does not result in increase in tariff of Distribution Licensee.

Provided that any benefit from such revaluation shall be passed on to persons sharing the capacity charge of retail supply consumers in case of distribution licensees, at the time of annual trueing up.

3.3.12. Any expenditure on replacement, renovation and modernization or extension of life of old fixed assets, as applicable to Distribution Licensee, shall be considered after writing off the net value of such replaced assets from the original capital cost and will be calculated as follows:

Net Value of Replaced Assets = OCRA – AD – G/CC;

Where;

OCRA: Original Capital Cost of Replaced Assets;

AD: Accumulated depreciation pertaining to the Replaced Assets;

G/CC: Total Grants or Consumer Contribution pertaining to the Replaced Assets.

Provided that, in case the original capital cost of the replaced asset is not available for any reason, it shall be considered by the Commission on a case to case basis.

Provided further that the amount of insurance proceeds received, if any, towards damage to any asset requiring its replacement shall be first adjusted towards outstanding actual or normative loan; and the balance amount, if any, shall be utilised to reduce the capital cost of such replaced asset, and any further balance amount shall be considered as Non-Tariff Income.

### **3.4. Consumer contribution, Deposit Work, Grant and Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs as per Vesting Orders**

3.4.1. The following nature of work carried out by the Distribution Licensee shall be classified under this category:

- a. Works after obtaining a part or all of the funds from the users in the context of deposit works;
- b. Capital works undertaken by utilising grants received from the State and Central Governments, including funds under various schemes;
- c. Capital investment from the depreciation to be allowed on the asset of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders
- d. Any other grant of similar nature and such amount received without any obligation to return the same and with no interest costs attached to such subvention.

3.4.2. The expenses on such capital expenditure shall be treated as follows:

- a. normative O&M expenses as specified in these Regulations shall be allowed;
- b. the debt: equity ratio, shall be considered in accordance with these Regulations, after deducting the amount of financial support provided through consumer contribution, deposit work, Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders, capital subsidy or grant;
- c. provisions related to depreciation, as specified in these Regulations;
- d. provisions related to return on equity, as specified in these Regulations, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders, capital subsidy or grant;
- e. provisions related to interest on loan capital, as specified in these Regulations, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, Capital investment from the depreciation allowed on asset of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders, capital subsidy or grant.



### 3.5. Debt-equity ratio

3.5.1. **Existing Projects:** In case of fixed asset capitalised on account of capital expenditure incurred prior to April 1, 2023, debt-equity ratio as allowed by the Commission for determination of tariff for the period ending March 31, 2023 shall be considered:

Provided that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity;

Provided also that in case of de-capitalisation or retirement or replacement of assets, the equity capital approved for the said asset, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of the de-capitalised or retired or replaced asset, and the debt capital approved as mentioned above, shall be reduced to the extent of actual debt component, based on documentary evidence, of the original cost of the de-capitalised or retired or replaced asset.

Provided that during the determination of ARR or Truing up of ARR of any Financial Year of the control period, if the resultant total normative outstanding loan after repayment is negative, then the equity for that year shall be reduced to the same extent and thereafter the return on equity for the determination of ARR or Truing up of ARR of any Financial Year shall be calculated.

Provided also that for the Distribution Licensee formed as a result of a Transfer Scheme, the date of the Transfer Scheme shall be the effective date for the determination of equity capital.

3.5.2. **New Projects:** In case of a new distribution line or substation commissioned or capacity expanded (e.g augmentation of transformation capacity/replacement of conductor to enhance power flow capacity of the existing line) or for any capital investment scheme declared under Commercial Operation on or after April 1, 2023, for determination of Tariff the debt-equity ratio as on the date of commercial operation shall be considered on normative basis at 70:30 of the capital cost approved by the Commission under these Regulations, after prudence check.

Provided that

- a. where actual equity employed is more than 30% of capital cost approved by the Commission, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as normative loan:
- b. where actual equity employed is less than 30% of capital cost approved by the Commission, the actual equity shall be considered, and the balance amount in excess of 70% normative loan shall also be considered as loan:
- c. the equity invested in foreign currency shall be designated in Indian rupees based on the exchange rate prevailing on the date(s) it is subscribed:
- d. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt: equity ratio.

- e. The Distribution licensee shall submit the resolution of the Board of Directors or approval of the competent authority in other cases regarding infusion of funds from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure.

3.5.3. The cost of project and debt equity ratio may be calculated considering the whole network of distribution system of the licensee in place of individual line or project.

### 3.6. Return on Equity

3.6.1. Return on equity on approved reserve price (INR 300 Crore for TPCODL, INR 300 Crore for TPWODL, INR 250 Crore for TPNODL and INR 200 Crore for TPSODL) for the utilities (TPCODL, TPWODL, TPNODL & TPSODL) of the erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders:

Return on equity shall be allowed on the approved reserve price of the utility from the effective date of operation at 16% per annum (post tax), in Indian Rupee terms on pro-rata basis as per Vesting Order.

3.6.2. Return on equity on the assets put to use after Effective Date up to date of applicability of these Regulations:

Return on equity on assets put to use after Effective Date up to date of applicability of these Regulations shall be eligible to get return as per Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 and its amendments thereof.

3.6.3. Return on equity on the assets put to use under instant Regulations:

Return on equity on assets put to use under these Regulations shall be computed on the paid-up equity capital determined in accordance with these Regulations and shall be allowed at 15% per annum (post tax), in Indian Rupee terms:

Provided further that for the purpose of truing up for the Distribution Licensee, return on equity shall be allowed from the date of commercial operation on pro-rata basis based on documentary evidence provided for the assets put to use during the year in absence of which the assets shall be considered to be added in the mid of the year.

Provided further that asset funded by consumer contributions, capital subsidies/ Government grants shall not form part of the capital base for the purpose of calculation of Return on Equity.

- a. The premium if any, raised by the Distribution Licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid-up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilized for meeting capital expenditure, and are within the ceiling of 30% of capital cost approved by the Commission.
- b. In case of foreign currency brought as capital, the Commission may consider a separate rate of return if foreign exchange variation is allowed as a pass through.

c. The tax only to the extent of the tax on return is provided as pass through.

3.6.4. The return on equity shall be calculated on the normative average equity of the year.

Provided that at the time of truing up, the normative average equity of the year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

3.6.5. The assets transferred to Distribution Licensee(s) in lieu of equity investment by GRIDCO shall be allowed in fixed asset base for determination of tariff, after prudence check,

Provided that the assets transferred are distribution assets.

### **3.7. Interest and finance charges on Loan Capital**

3.7.1. The loans arrived at in the manner indicated in these Regulations on the assets put to use, shall be considered as gross normative loan for calculation of interest on loan:

Provided that interest and finance charges on capital works in progress shall be excluded:

Provided further that in case of de-capitalisation or retirement or replacement of assets, the approved loan capital as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of the de-capitalised or retired or replaced assets, based on documentary evidence.

3.7.2. The normative loan outstanding as on April 1, 2023, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2023, from the gross normative loan.

Provided that the assets of erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders shall not be eligible for calculation of interest on loan.

3.7.3. The normative repayment for the year during the Control Period shall be deemed to be equal to the depreciation allowed for that year.

3.7.4. Notwithstanding any moratorium period availed by the Distribution Licensee the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

3.7.5. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the Distribution Licensee:

Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to the Distribution Licensee shall be considered as the rate of interest:

Provided that in case where the Distribution Licensee avails new loans, i.e., on or after April 1, 2023, the rate of interest on loan in any case shall not exceed

approved base rate of return on equity or any capping on rate of interest on such a new loan as specified by the Commission considering the market conditions. The Distribution Licensee(s) shall follow transparent mechanism to avail Loans and, to the extent possible, shall endeavour to invite open tender for availing Loans. However, they shall be required to submit due justification to the Commission for the terms and conditions of the loans raised by them including the loan sanction letter from the banks/ lending institutions, indicating the applicable rate of interest. They shall also justify the reasons for higher interest rate, if availed for the new loan.

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

Provided also that if the Distribution Licensee does not have actual loan, then the weighted average rate of interest of the other business of the Distribution Licensee regulated by the Commission shall be considered:

Provided also that if the Distribution Licensee does not have actual loan, and the other business of the Distribution Licensee regulated by the Commission also does not have actual loan, then the weighted average rate of interest of the Distribution Licensee as a whole shall be considered:

Provided also that if the Distribution Licensee as a whole does not have actual loan, then the Base Rate plus 150 basis points at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

- 3.7.6. The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest:

Provided that at the time of truing up, the normative average loan of the year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff.

- 3.7.7. The above interest computation shall exclude interest on loan amount, normative or otherwise, to the extent of capital cost funded by Consumer Contribution, Grants or Deposit Works carried out by the Distribution Licensee.
- 3.7.8. The finance charges other than the refinancing charges, incurred for obtaining loans or Payment Security mechanism from financial institutions or guarantee fee payable to Government for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check.
- 3.7.9. The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to

case basis, after prudence check by the Commission based on the justification to be submitted by the Distribution Licensee along with documentary evidence, as applicable:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Distribution Licensee, any liquidated damages recovered from such agency or contractor, or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission:

3.7.10. The Distribution Licensee shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the Distribution licensee.

Provided that refinancing shall not be done if it results in increase in rate of interest of existing loan:

Provided further that if refinancing is done and it results in net increase in interest, then the rate of interest shall be considered equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed:

Provided also that the re-financing shall not be subject to any adverse terms and conditions and additional cost:

Provided also that the Distribution Licensee shall submit documentary evidence of the costs associated with such re-financing:

Provided also that the net savings in interest shall be computed after factoring all the terms and conditions, and based on the weighted average rate of interest of actual portfolio of loans taken from Banks and Financial Institutions recognised by the Reserve Bank of India for Indian institutions, before and after re-financing of loans:

Provided also that the net savings in interest shall be calculated as an annuity for the term of the normative loan, and the annual net savings shall be shared between the entity and Beneficiaries in the specified ratio as provided in these Regulations.

Provided further that if refinancing is done and it results in decrease in interest rate but negative saving due to higher refinance cost, then the refinance cost shall be allowed to such an extent that the difference between Net Present Value (NPV) of the saving from decrease in interest cost and refinance cost results into ZERO.

3.7.11. The Distribution Licensee(s) shall adjust interest on the amount held as security deposit (held in cash or cash equivalent) from Distribution System Users and Retail consumers at the Bank Rate as on 1<sup>st</sup> April of the Financial Year in which the Petition is filed in their monthly bills.

Provided that Interest on security deposits, in excess of the above rate specified by the Commission shall be considered as non-Tariff income of the Licensees

### 3.8. Depreciation

- 3.8.1. Depreciation shall be computed separately for assets capitalized prior to the Effective Date and the assets put to use after the Effective Date.
- 3.8.2. The assets achieving date of commercial operation prior to the Effective Date would continue to earn depreciation as per depreciation rates approved by the Commission prevailing at the time of effective date. Since no loan has been availed by the new Distribution Licensees for these assets, the depreciation allowed to be recovered from tariff must be utilised in the manner as provided below as per terms of the Vesting Order:
  - a. For the purpose of determination of Aggregate Revenue Requirement, the depreciation on the opening Gross Fixed Assets as of Effective Date, as determined by the Commission subject to prudence check, shall be utilized as per the following priority order:
    - i. Funding of Additional Serviceable Liabilities as per the Vesting Order
    - ii. Capital Investment
    - iii. Working Capital requirement computed as per Tariff Regulations
  - b. The manner of utilization of such depreciation shall be as per the directions of the Commission. The Distribution Licensee shall maintain a separate account for such depreciation.
  - c. No depreciation shall be allowed to be recovered on assets created out of Government grants irrespective of whether the corresponding grant is transferred to the Distribution Licensee or not.
- 3.8.3. In case of the assets of the erstwhile DISCOMs, the balance depreciable value as on April 1, 2023, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2023, from the gross value of the assets.
- 3.8.4. For the assets of erstwhile DISCOMs transferred to the new Distribution Licensees through the Vesting Orders, the depreciation shall be calculated on the pre-up valued cost of assets at pre-1992 rate on the asset base approved by the Commission.
- 3.8.5. For assets achieving date of commercial operation (COD) in this control period, depreciation shall be computed in the following manner:
  - a. The approved original cost of the project/fixed assets shall be the base value for calculation of depreciation;
  - b. Depreciation shall be computed annually based on the straight-line method at the rates specified in the **Annexure II** to these Regulations:

Provided that the remaining depreciable value as on 31<sup>st</sup> March of the year closing after a period of 15 years from date of commercial operation shall be spread over the balance useful life of the assets:

Provided that the rate provided in **Annexure II**, are the upper ceiling of the rate of depreciation to be provided up to 15<sup>th</sup> year from the date of commercial operation and the Distribution Licensee shall have the option of indicating, while seeking approval for tariff, lower rate of depreciation, subject to the aforesaid ceiling and the same will be considered for computation of normative loan as per Regulations.

Provided also that the Distribution Licensee, shall submit all such details or documentary evidence, as may be required under these Regulations and as stipulated by the Commission, from time to time, to substantiate the above claims:

- 3.8.6. The salvage value of the asset shall be considered at 10% of the allowable capital cost and depreciation shall be allowed up to a maximum of 90% of the allowable capital cost of the asset:

Provided that the Distribution Licensee shall submit certification from the Statutory Auditor for the capping of depreciation at 90% of the allowable capital cost of the asset;

Provided also that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable;

Provided that depreciation shall not be allowed on assets funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue), capital subsidies/grants:

Provided further that the Distribution Licensee shall submit year-wise details of assets retired and disposed of, which shall be removed from the Original Cost of Fixed Assets:

Provided further that asset shall normally be not retired before completion of the useful life and the Distribution Licensee shall take prior approval of the Commission in case of retiring any asset before its useful life:

- 3.8.7. In case of projected commercial operation of the asset for part of the year, depreciation shall be calculated based on the average of opening and closing value of asset, approved by the Commission:

Provided that depreciation will be re-calculated during truing-up for assets capitalised at the time of Truing Up of each year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, such that the depreciation is calculated proportionately from the date of capitalisation.

### 3.9. Operation and Maintenance Expenses:

- 3.9.1. The Operation and Maintenance (O&M) expenses shall include:
- a. Salaries, wages, pension contribution and other employee Expenses;
  - b. Administrative and General Expenses; and
  - c. Repairs and Maintenance Expenses.
- 3.9.2. The Commission shall undertake a prudence check of the submission made by distribution licensee for O&M cost before allowing such expenditure in ARR.
- 3.9.3. The Operation & Maintenance expenses shall be allocated between the Wheeling Business and Retail Supply Business, as per the allocation statement subject to approval of the Commission.

#### **Employee Expenses**

##### Employees of erstwhile DISCOMs

- 3.9.4. The Employee Liabilities of erstwhile DISCOMs, shall be serviced as per terms and conditions of the Vesting Orders.
- 3.9.5. As all the employees of erstwhile DISCOMs have been transferred to new Distribution Licensees from the effective date as per the Vesting Orders, the corresponding liabilities towards pension, gratuity, leave encashment and provident fund of such employees (the “Employees’ Liabilities”) have also been transferred to new Distribution Licensees.
- 3.9.6. The Employees’ Pension Trust, Employees’ Gratuity Trust, Employees’ Provident Fund Trust and Rehabilitation Trust (the “Trusts”) are managing funds against pension, gratuity, provident fund and rehabilitation liabilities respectively.
- 3.9.7. By the end of each month, respective Trusts except Employees Provident Fund Trust raise a requisition to Distribution Licensees to disburse the balance amount required towards Employees’ Liabilities for such month after deducting the interest earned by the Trust on its investments. The contribution towards provident fund shall be remitted by the Distribution Licensees without the requirement of any requisition from the Employees Provident Fund Trust. Such amount is remitted to the respective Trusts for disbursal to the beneficiaries covered under the Trusts. The same mechanism shall continue from the Effective Date and new DISCOMs shall be responsible to remit such amounts to the Trusts towards Employees’ Liabilities.
- 3.9.8. The Trusts, their investments as well as Employees’ Liabilities shall be dealt with in the manner specified below as per terms of Vesting Orders:
- i. All the Trusts shall continue to exist, and investments made by the Trusts shall not be liquidated without prior approval of the Commission.



- ii. New DISCOMs shall disburse the Employees' Liabilities to Trusts as per the Vesting Order.
- iii. Of the total Employees' Liabilities disbursed by new DISCOMs, the Commission shall allow as part of the Aggregate Revenue Requirement the actual cash out go for new DISCOMs for every year on account of pension, gratuity, leave encashment and rehabilitation liabilities.
- iv. For provident fund liabilities, the Commission shall allow as part of the Aggregate Revenue Requirement, only the Employer's contribution towards provident fund made to Provident Fund Trust.
- v. Except as provided in (iii) and (iv) above, no amount shall be allowed in Aggregate Revenue Requirement of new DISCOMs for contribution to the Trusts for increasing their corpus fund or investments.
- vi. Investments made by the Trust shall be appropriately disclosed in the accounts of new DISCOMs as per the applicable accounting standards.

Employees recruited after Effective Date

3.9.9. The Distribution Licensee shall submit a detailed Manpower Plan including but not limited to management structure and staff deployment plan including implementation timelines, retirement plan, key activities and estimate of expenses that may be incurred in each year of the Control Period in its Business Plan. In the annual ARR filing along with estimate of other expenses, the Distribution Licensee shall provide detailed justification for any deviation from the employee expenses approved by the Commission in the Business Plan. The Commission shall undertake a prudence check of the Manpower plan submitted by the Distribution Licensee while approving the same.

3.9.10. The expenses for the existing employees shall be determined based on the formula shown below:

$$EMP_n = EMP_{n-1} \times (1 + Index_{Escn})$$

where,

$EMP_n$ : Employee Cost of Distribution Licensee for the ensuing year;

$EMP_{n-1}$ : Approved Employee Cost of Distribution Licensee for the year preceding ensuing year;

Provided that for first year of the control period  $EMP_n$  shall mean employee expenses as approved by the Commission for the first year of the Control Period in the Business Plan;

$$\text{Index}_{\text{Escn}} = \text{CPI}_n$$

where,

‘CPI<sub>n</sub>’ (expressed in %) means the average yearly inflation of Consumer Price Index (Industrial workers) over the years for the nth year.

[Source for CPI calculation: *Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India {Base Year: 2001=100}*]

Provided that CPI<sub>n</sub> is to be computed based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past three Financial Years, at the time of filing of Petition, as per the Labour Bureau, Government of India and such escalation factor so derived to be applied to Operation and Maintenance expenses of each preceding year.

Provided further that, during the Truing-up for any particular year of the Control Period, only CPI<sub>n</sub> is to be considered based on the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective year of Truing-up.

3.9.11. The new employee expense shall be projected considering cadre / designation wise average existing employee cost for past year where the number of new employees to be added and their associated expenses shall be duly approved by the Commission after prudence check. The projection for the recruitment for a year may be restricted to 1.40 employees (including replenishment of retiring vacancies) per 1000 consumers.

3.9.12. The employee expense shall be allowed on normative basis in the ARR for ensuing year and shall be trued-up to the account of variation in Consumer Price Index subject to prudence check.

Provided that in case the actual employee expense is lower than the normative employee expense, the actual employee expense shall be considered for True-Up purpose.

3.9.13. For the purpose of estimation, the average monthly Consumer price Index for FY 2019-20, FY 2020-21 and FY 2021-22 shall be used for all years of the Control Period. However, at the time of true-up of any particular year the Commission will consider the actual value of the CPI inflation for the True-up year.

3.9.14. The Commission shall take into consideration various lawful recourses taken by distribution licensees e.g. distribution franchisees, outsourcing and engaging contractual employees to undertake customer care, billing, collection and network maintenance activities, while finalizing the employee cost during the approval of ARR in the control period.

3.9.15. The Commission may from time to time direct the distribution licensees to submit any incentive and disincentive scheme for improving the productivity of employees.

#### **Administrative and General (A&G) Expenses**

3.9.16. The normal A&G Expenses for each subsequent year will be determined by escalating the approved A&G Expenses (excluding additional or special A&G expense) for the

previous year, at the escalation factor of 7 % to arrive at permissible A&G expenses for each year of the Control Period.

3.9.17. The Commission may, in addition to the normal A&G expenses may allow additional expenses, actually incurred during the previous year, under this head for special measures to be undertaken by the distribution licensees towards reduction of AT&C losses and improving collection efficiency which are not covered under Capital Investment plan approved by the Commission.

Provided the Commission will undertake a prudence check before allowing such expenditure.

3.9.18. The A&G expense shall be allowed on normative basis in the ARR for ensuing year and shall be subject to True-Up.

Provided that, in case the actual A&G expense is lower than the normative A&G expense, the actual A&G expense shall be considered for True-Up purpose.

Provided that, in case the actual A&G expense is more than the normative A&G expense, the normative A&G expense shall be considered for True-Up purpose.

**Repairs and Maintenance (R&M) Expenses**

3.9.19. Repair and Maintenance expenses shall be allowed as a % of opening Gross Fixed Assets (GFA) only on assets owned by the distribution company, for each year of the Control Period as provided in the table below:

<b>DISCOMs</b>	<b>TPCODL</b>	<b>TPWODL</b>	<b>TPNODL</b>	<b>TPSODL</b>
<b>FY 23-24</b>	4.20%	4.50%	4.50%	5.40%
<b>FY 24-25</b>	4.00%	4.20%	4.20%	4.50%
<b>FY 25-26</b>	3.50%	4.00%	4.00%	4.20%
<b>FY 26-27</b>	3.00%	3.00%	3.00%	3.50%
<b>FY 27-28 &amp; onwards as per the directives of the Commission</b>	3.00%	3.00%	3.00%	3.00%

3.9.20. The Distribution Licensee(s) shall prepare a plan and budget for periodic preventive maintenance of distribution network including emergency repairs and restoration works under each division.

3.9.21. The Distribution Licensee(s) shall provide the breakup details of R&M expenses in the ARR for the Financial Year along with requirement of annual maintenance spares for smooth operation with minimum down time of the system.

3.9.22. The Commission may allow an amount for maintenance of assets added under State and Central Government Schemes up to 3.00% of the opening GFA of such assets. The Distribution Licensee(s) shall be required to separately submit to the Commission along with ARR, the details of assets taken into service under these Schemes.

3.9.23. The Commission may also allow special R&M, actually incurred during the previous year, in order to enable the Distribution Licensee to undertake critical activities such as energy audit, Consumer Indexing, Pole scheduling etc. which are not covered under Capital Investment plan approved by the Commission.

Provided the Commission shall undertake a prudence check before allowing such expenditure.

3.9.24. The R&M expense shall be allowed on normative basis in the ARR for ensuing year and shall be subject to True-Up.

Provided that, in case the actual R&M expense is lower than the normative R&M expense, the actual R&M expense shall be considered for True-Up purpose.

Provided that, in case the actual R&M expense is more than the normative R&M expense, the normative R&M expense shall be considered for True-Up purpose.

### 3.10. Interest on Working Capital

3.10.1. The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Wheeling and Retail supply business for the Financial Year. The working capital for the purpose of ARR calculation shall be computed as follows:

- a. Operation and maintenance expenses for one month; plus
- b. Maintenance spares @ twenty (20) % of average R&M expense for one month; plus
- c. Power Purchase Cost for one (1) month minus normative rebate to be earned on timely payment of power purchase bill on or before the due date.

Provided that at the time of truing up for any year, the working capital requirement shall be re-calculated on the basis of the components of working capital approved by the Commission in the truing up before sharing of gains and losses;

- a. Working Capital requirement of the Distribution Licensees may be met through depreciation allowed by the Commission on the assets of erstwhile DISCOMs in a manner mentioned in the Vesting Orders and as approved by the Commission. No normative interest shall be allowed on such Working Capital.
- b. Shortfall in meeting the working capital requirement as mentioned above shall be allowed interest at a rate equal to the SBI Base Rate or any replacement thereof by SBI from time to time (being in effect applicable for 1 year period) as applicable as on 1<sup>st</sup> April of the Financial Year in which the Petition is filed plus 300 basis points or actual weighted average rate of interest towards loan for meeting working capital requirement availed by the Distribution Licensee(s), whichever is lower :

3.10.2. For the purpose of Truing-up for each year, the variation between the normative interest on working capital computed at the time of Truing-up and the actual interest

on working capital incurred by the Distribution Licensee, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors:

### **3.11. Tax on income**

3.11.1. The Income Tax for the Distribution licensee for the regulated business shall be allowed through the Tariff charged to the Distribution System users, on submission of documentary evidence of the actual tax paid subject to the conditions stipulated in these Regulations:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:

Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

3.11.2. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers. Under-recovery or over-recovery of any amount from the beneficiaries or the consumers on account of such tax having been passed on to them shall be adjusted every year on the basis of income-tax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors. The Distribution Licensee may include this variation in its truing up Petition:

Penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Distribution licensee.

### **3.12. Rebate**

3.12.1. Any rebate earned by the Distribution Licensee for timely payment of bills of GRIDCO, generation & transmission utilities, SLDC, RLDC etc. shall be considered under Non-Tariff Income for the Distribution Licensee(s);

### **3.13. Delayed Payment Surcharge**

3.13.1. In case the payment of bills of GRIDCO or generation tariff or transmission charges or SLDC charges or by the beneficiary(ies) is delayed beyond the due date, late payment surcharge is levied for the period of delay by the Generating Company or the Transmission Licensee or GRIDCO or SLDC, as the case may be.

3.13.2. Such Delayed Payment Charge paid or payable by the Distribution Licensee to GRIDCO or the Generating Company or the Transmission Licensee or SLDC shall not be allowed as an expense for such Distribution Licensee in calculation of ARR.

3.13.3. Late payment surcharge for the retail consumer shall be recovered by the Distribution Licensees as per the Tariff Order and shall be treated as Non-tariff income.

### 3.14. **Aggregate Technical & Commercial Loss as per Vesting Order**

3.14.1. The Commission shall consider the AT&C loss reduction trajectory for tariff determination as provided in **Annexure III** of these Regulations as per the terms of the Vesting Orders. The Distribution Licensees would be entitled to retain any additional gains resulting from its meeting and surpassing the AT&C loss targets. This would be over and above the return on equity allowed by the Commission as part of these Regulations and shall not be adjusted as other income or in any way appropriated through any truing up process or future Aggregate Revenue Requirement process.

3.14.2. The AT&C loss shall be calculated as a relationship between distribution loss and collection efficiency as per the following formula:

$$\text{AT\&C Loss (\%)} = [1 - (1 - \text{Distribution Loss}) \times \text{Collection Efficiency}]$$

where,

AT&C loss, Distribution loss and Collection efficiency are in percentages (%) calculated up to two decimal points;

Any unit assessed and billed on account of theft shall only be considered in the year of its realization as specified in the Section 126 (6) of the Act;

Collection efficiency shall be measured as ratio of total revenue realized to the total revenue billed in the same year;

Collection efficiency shall be considered 99% of the total sales.

Provided that revenue realized or revenue billed on account of electricity duty, late payment surcharge, any other surcharge, collection from arrear outstanding on effective date, energy traded (if any), Inter-DISCOM sale (if any) shall be excluded from the computation of Collection Efficiency

Revenue from sale of energy to all categories of consumers including actual subsidy received during the year, opening and closing debtors for sale of energy as per receivable schedule of the annual audited accounts without deducting the provisions for doubtful debts, any amount written off during the year directly from closing debtors shall be used for computation of Collection Efficiency. Unbilled revenue shall not be considered as debtors;

Distribution loss shall be measured as the difference between energy (units) input into the distribution system for sale to all its consumer(s) excluding units of energy traded (if any) / inter-DISCOM sale (if any) and the total of energy (units) billed in its Licensed area in the same year;

3.14.3. The Distribution Licensee shall calculate the AT&C loss for each year of the control period as per the above formula and submit detailed working for calculation of

distribution loss and collection efficiency separately to the Commission in its Petitions.

Provided that for calculation of the Collection Efficiency, subsidy received and realization from sale of power together will be restricted at 100.00%.

3.14.4. The Distribution Licensees shall adhere to the committed AT&C loss reduction trajectory for future years (**Annexure III**) as per the Vesting Orders. Any gains or loss arising from over-achievement or under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss provided for Tariff determination in **Annexure-III** shall be retained by Distribution Licensee. Sample computation for gains/ losses arising from over/ under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss is provided below:

**Illustration:**

Two cases have been considered for calculation of gains and loss arising from over-achievement or under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss. Case-1 is for calculation of loss due to under-achievement of AT&C loss trajectory and Case-2 is for calculation of gain due to over-achievement of AT&C loss trajectory.

**Sample Computation for gains / losses due to AT&C loss**

Approved or regulated AT&C Loss	%	a	19.17%	19.17%
Actual AT&C Loss achieved by Distribution Licensee	%	b	21.00%	18.00%
Actual Energy Sales	MU	c	3,000	3,000
Trued-Up Approved BSP	Rs. /kWh	d	3.00	3.00
Actual Energy Input	MU	$e = \frac{c}{(1-b)}$	3,797	3,659
Estimated Energy Input at Regulated AT&C loss	MU	$f = \frac{c}{(1-a)}$	3,711	3,711
(Excess)/ saved Input Energy due to (higher)/ lower than regulated AT&C Loss	MU	$g = f - e$	(-) 86	53
Gain/ (Losses)	Rs. Cr.	$h = \frac{g \times d}{10}$	(-) 25.79	15.89

In both the cases, the gain / loss shall be entirely borne by the Distribution Licensee.

3.14.5. In addition to the above, in case of failure to achieve the committed targets as provided in **Annexure-III**, the Commission shall have the right to recover the penalty amount by encashing the Performance Guarantee for any shortfall in meeting the AT&C loss targets as per the terms of the Vesting Orders. However, this penalty for non-achievement of AT&C loss targets may be relaxed by the Commission under conditions of Force Majeure, including acts of God, acts of GoO or the Government of India (de jure or de facto) or regulatory body or public enemy, war, riots, embargoes, industry-wide strikes, thereby, hindering the performance by the

Distribution Licensees. The Commission's decision in this regard shall be final and binding on all parties.

### **3.15. Foreign Exchange Rate Variation**

- 3.15.1. The Distribution Licensee may hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the distribution system, in part or full, at the discretion of the Distribution Licensee.
- 3.15.2. The Distribution Licensee shall be allowed to recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt in the relevant year on year-to-year basis as expense in the period in which it arises and extra rupee liability corresponding to such foreign exchange rate variation shall not be allowed against the hedged foreign debt.
- 3.15.3. To the extent the Distribution Licensee is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the Distribution Licensee or its suppliers or contractors.
- 3.15.4. Any gains or losses on account of foreign exchange rate variation pertaining to the loan amount availed during the construction period shall form part of the capital cost. The Distribution Licensee shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.



## **4. DISTRIBUTION WHEELING BUSINESS**

### **4.1. Applicability**

4.1.1. The Regulations contained in this Chapter shall be applicable for determination of tariff payable by a Distribution System User for wheeling of electricity.

### **4.2. Components of Aggregate Revenue Requirement for Distribution Wheeling Business**

4.2.1. The licensee shall make all filings of ARR for each year of the Control Period as per Timelines specified in Annexure-I. The ARR shall contain the proposal for Wheeling Tariff and Retail Supply Tariff including its computation. The licensee shall furnish the required information with regard to technical, commercial and financial parameters in the formats as approved by the Commission from time to time.

4.2.2. The ARR proposal shall provide for the recovery of the expenses and revenue to be collected for the respective years of the control period, as approved by the Commission, for the Distribution Wheeling Business which shall comprise but not limited to the following:

- a. Detailed capital expenditure, capitalisation and financing plan as per these Regulations;
- b. Distribution system or network usage forecast for the year consistent with the Business Plan;
- c. Operation and Maintenance expenses;
- d. Interest and Finance Charges on Loan Capital;
- e. Interest on Working Capital
- f. Depreciation;
- g. Return on Equity Capital;
- h. Income Tax;
- i. All statutory levies and taxes, if any, excluding taxes on income;
- j. Other allocation and expenses considered appropriate by the Commission such as rebate etc. and
- k. any other expenses not mentioned above;

Less:

- l. Non-Tariff Income with item-wise description and details ;
- m. Income from Other Business, to the extent specified in these Regulations like Consultancy Services, Training Facilities, etc and
- n. Income from existing Wheeling Charges payable by Distribution System Users

other than the retail consumers getting electricity supply from the Distribution Licensee including the losses and the procedure thereof

Provided that Depreciation, Interest and finance charges on Loan Capital, Interest on Working Capital, Return on Equity and Income Tax for the Distribution Wheeling Business shall be allowed in accordance with the provisions specified in Chapter 3 of these Regulations:

Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, subject to prudence check.

Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages, as a consequence of the Orders of the Commission / any Statutory Authority under law shall not be allowed to be recovered through the Aggregate Revenue Requirement:

The details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations:

Provided also that the wheeling charges of the Distribution Licensee shall be determined by the Commission on the basis of an application for determination of tariff made by the Distribution Licensee in accordance with Chapter 2 of these Regulations:

Provided also that the Wheeling Charges may be denominated in terms of Rupees/kWh or Rs./kVAh, for the purpose of recovery from the Distribution System User, or any such denomination, as stipulated by the Commission from time to time.

Provided further that the Wheeling Charges shall be determined separately for LT voltage, HT voltage, and EHT voltage, as applicable:

### **4.3. Non-Tariff Income**

4.3.1. The amount of Non-Tariff Income relating to the Distribution Wheeling Business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the wheeling charges of Distribution Wheeling Business of the Distribution Licensee.

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with his application for determination of wheeling charges.

4.3.2. The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- a. Income from rent of land or buildings or other assets;
- b. Income from sale of scrap;
- c. Income from statutory investments;

- d. Income from interest on Fixed Deposits (including contingency reserve investment);
- e. Interest on advances to suppliers/contractors;
- f. Rental from staff quarters;
- g. Rental from contractors;
- h. Income from hire charges from contactors and others;
- i. Income from advertisements, sale of tender etc.;
- j. Meter/metering equipment/service line rentals;
- k. Service charges;
- l. Revenue from late payment surcharge;
- m. Recovery for theft and pilferage of energy;
- n. Miscellaneous receipts;
- o. Interest on advances to suppliers;
- p. Excess found on physical verification;
- q. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- r. Prior period income;
- s. Supervisory charges for contractual works;
- t. Any Other Non-Tariff Income.

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Distribution Wheeling Business of the Distribution Licensee shall not be included in Non-Tariff Income.

#### **4.4. Income from Other Business**

- 4.4.1. Where the Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to half of the revenues from such Other Business after deduction of all direct and indirect costs attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the wheeling charges of Distribution Wheeling Business of the Distribution Licensee:

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all common costs between the Distribution Wheeling Business and the Other Business and shall submit the Allocation Statement, duly audited and certified by the statutory auditors, to the Commission along with his application for determination of wheeling charges:

Provided also that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed

to be added to the Aggregate Revenue Requirement of the Distribution Licensee on account of such Other Business.

#### **4.5. Determination of Wheeling Charges and Losses**

4.5.1. The Commission shall specify the Wheeling Charge of Distribution Wheeling Business of the Distribution Licensee in its Order passed under sub-section (3) of Section 64 of the Act. Notwithstanding anything contained in this Regulation the wheeling charges applicable to open access customers shall be computed and applied at relevant voltage level:

Provided that the Wheeling Charges payable by a Distribution System User, other than the retail consumers getting electricity supply from the same Distribution Licensee, may comprise any combination of fixed/demand charges, and variable charges, as may be stipulated by the Commission in such Order:

Provided further that the revenue from Wheeling Charges paid by the Distribution System Users under the above proviso shall be used to reduce the Aggregate Revenue Requirement of the Wheeling Business to be recovered from the retail consumers of the concerned Distribution Licensee, in accordance with these Regulations.

4.5.2. The Distribution Licensee under wheeling business shall be allowed to recover, in kind (energy in units), the approved level of wheeling losses arising from the operation of the distribution system, as stipulated in the respective Tariff Order.

## 5. RETAIL SUPPLY OF ELECTRICITY

### 5.1. Applicability

5.1.1. These Regulations contained in this Chapter shall apply to the determination of tariff for retail supply of electricity by a Distribution Licensee to its consumers.

### 5.2. Components of Aggregate Revenue Requirement for Retail Supply Business

5.2.1. The tariff for retail supply by a Distribution Licensee shall provide for recovery of the Aggregate Revenue Requirement of the Distribution Licensee in terms of the revenue to be collected during the Financial Year, as approved by the Commission and comprising of the following:

- a. Detailed capital expenditure, capitalisation and financing plan as per these Regulations;
- b. Power Purchase Expenses (including Bulk Supply Price, intra-state transmission and SLDC charges and Wheeling Charges);
- c. Operation and Maintenance expenses
- d. Interest and Finance Charges on Loan Capital;
- e. Interest on working capital
- f. Depreciation;
- g. Return on Equity Capital
- h. Foreign exchange rate variation, if any
- i. All statutory levies, and taxes including taxes on income, if any;
- j. Bad and doubtful debt allowed to be written off;
- k. Other allocation of expenses considered appropriate by the Commission such as rebate etc.
- l. Balance Aggregate Revenue Requirement for Distribution Wheeling Business, as determined under these Regulations, after deducting income from Wheeling Charges payable by Distribution System Users other than the retail consumers getting electricity supply from the same Distribution Licensee;  
**Less:**
  - m. Non – tariff income including revenue from various surcharges;
  - n. Income from Other Business to the extent specified in these Regulations;
  - o. Receipts on account of cross subsidy surcharge from open access

customers;

- p. Receipts on account of additional surcharge from open access consumers and
- q. Any grant, subvention, subsidy etc. provided by the State Government

Provided that Depreciation, Interest and finance charges on Loan Capital, Interest on Working Capital, Return on Equity and Income Tax for the Retail Supply Business shall be allowed in accordance with the provisions specified in Chapter 3 of these Regulations:

Provided further that prior period income/expenses shall be allowed by the Commission at the time of truing up based on audited accounts, subject to prudence check:

Provided also that all penalties and compensation payable by the Licensee to any party for failure to meet any Standards of Performance or for damages/accidents, as a consequence of the Orders of the Commission / any Statutory Authority under law shall not be allowed to be recovered through the Aggregate Revenue Requirement: whereby the details of penalties and compensation paid or payable, if any, is required to be submitted to the Commission along with the Petition under these Regulations.

Provided also that the receipt of revenue on account of cross-subsidy surcharge shall be considered only at the time of truing up exercise, based on actual receipts as per Audited Accounts.

- 5.2.2. The tariff for retail supply by a Distribution Licensee shall be determined by the Commission on the basis of Petition filed for determination of tariff with segregation of the accounts of Retail Supply Business and Wheeling business:

Provided that where the Distribution Licensee is not able to submit audited and certified separate accounts for Distribution Wheeling Business and Retail Supply Business, the Allocation Matrix as given in these Regulations shall be applicable:

Provided further that the operation and maintenance expenses shall be allocated between the Distribution Wheeling Business and Retail Supply Business, by considering the percentages specified in the Allocation Matrix for employee expenses, administration and general expenses, and repair and maintenance expenses, as weights for determining the weighted average allocation percentage for operation and maintenance expenses:

- 5.2.3. The tariff for retail supply by the Distribution Licensee shall be determined by the Commission on the basis of an application for determination of tariff made by the Distribution Licensee in accordance with Chapter 2 of these Regulations.

Provided further that the Tariff for retail supply may comprise any combination of fixed/demand charges, energy charges, and any other charges, for the purpose of recovery from the consumers, as may be stipulated by the Commission:

Provided also that in case of a Deemed Distribution Licensee whose tariff is yet to be determined by the Commission till the date of coming into effect of these Regulations, the Commission may determine the ceiling Tariff for retail supply that may be charged by such Distribution Licensee till such time as considered appropriate by the Commission.

5.2.4. The Distribution Licensee may propose other rebates for inter-alia, taking supply at higher voltages, bulk consumption, power factor, etc., as a part of their Petition, and the revenue impact of rebates shall be passed on through the Aggregate Revenue Requirement and tariffs, subject to the Commission's approval.

5.2.5. The Distribution Licensee shall be allowed to offer a rebate to the consumers on tariff and charges determined by the Commission:

Provided that the Distribution licensee shall submit details of such rebates to the Commission every quarter, in the manner and format, as stipulated by the Commission from time to time:

Provided further that the impact of such rebates given by the Distribution licensee shall be borne entirely by the Distribution Licensee and impact of such rebate will not be allowed to be passed through to the consumers, in any form:

Provided also that such rebates shall not be offered selectively to any consumer(s), and shall have to be offered for the entire consumer category/sub-category/electricity consumption slab in a non-discriminatory manner.

### **5.3. Sales (MU) & Demand (MW) Forecast**

5.3.1. The Distribution Licensee(s) shall make an assessment of demand (MW) during peak and off-peak period and energy requirement (MU) for each month of the ensuing year (Short term) and for next 5 (five) years (Long-term). The peak demand (MW) and energy sales (MU) shall be estimated for each tariff category & sub-category of consumers. The forecast shall be done based on load duration curve explicitly defining the base load and peak load in such a way that adequate unrestricted and uninterrupted (24x7) power supply can be ensured to all categories of consumers.

5.3.2. The Distribution Licensee(s) shall also indicate category-wise open access customers and the sales to such category(ies). The power demand and energy wheeled for such consumers shall be shown separately for

- i. Supply within its licensee area of supply; and
  - ii. Supply outside its licensee area of supply.
- 5.3.3. While estimating monthly demand and energy sales forecast, the Distribution Licensee(s) shall also take into consideration various factors but not limited to the following:
- i. New consumer addition under various categories
  - ii. Change in Consumption Pattern
  - iii. Growth in the consumption of power intensive sectors
  - iv. Historical as well as current year data
  - v. Weather forecast and seasonal variations;
  - vi. Overall economic growth;
  - vii. Likely impact of implementation of Demand Side Management (DSM) Activities;
  - viii. Projected efficiency gains due to implementation of T&D loss reduction initiatives and other improvement programmes;
  - ix. Energy Conservation and Energy Efficiency measures planned

Provided that where the Commission has stipulated a methodology for forecasting sales to any particular tariff category, the Distribution Licensee shall incorporate such methodology in developing the sales forecast for such tariff category.

- 5.3.4. The Commission shall examine the forecasts for their reasonableness based on growth in the number of consumers, pattern of consumption, losses and demand of electricity in previous years and anticipated growth in the subsequent year(s) and any other factor, which the Commission may consider relevant and approve the sales forecast with such modifications as deemed fit. The Distribution Licensee(s) shall develop a robust database of all consumers with desired particulars regarding their demand to facilitate the forecasting process in accordance with the direction given by the Commission.

#### **5.4. Projection of Power Purchase Quantum**

- 5.4.1. The Distribution Licensee(s) shall prepare a plan for procurement of power to serve the demand of electricity in its area of operation / supply and submit such Plan to the Commission for approval. While doing so, the Distribution Licensee(s) shall prepare monthly demand (MW) and energy requirement (MU) forecast for the ensuing year (on short-term basis) and for next 5 years period (on long term-basis) as per these Regulations. The Distribution Licensee(s) shall be guided by the following approach and provisions of these Regulations for estimation / calculation of power purchase requirement.

The Distribution Licensee(s) shall as per these Regulations

- a. estimate the monthly sales (MU) in their license area,



- b. estimate the energy input required at the interface of the Intra-state transmission and/or distribution system considering the approved Distribution Loss for the year and
  - c. then, calculate energy (MU) required to be procured by GRIDCO from various sources of generation considering the approved Intra-State transmission system loss
- 5.4.2. The estimation of both the short-term and long-term power procurement plan prepared in accordance with these Regulations shall be submitted by the Distribution Licensee(s) on or before 15<sup>th</sup> September to the Commission and GRIDCO for preparation of Bulk Power Procurement Plan.

The Distribution Licensee(s) shall consider the same short-term power procurement estimation while projecting ARR for the ensuing year and long term power procurement estimation for next five (5) years in its Business Plan.

## 5.5. Assessment of Availability of Power

- 5.5.1. GRIDCO shall assess the availability of power from different sources for meeting power demand (MW) and energy required (MU) during peak and off-peak periods for each month of the ensuing year (short term) and for next five (5) years (long term).
- 5.5.2. The assessment of availability shall be based on the relevant information and inputs but not limited to the following:
- i. The share of power from existing generating plants owned or operated by the Licensee(s) or the State and the Central Sector Generating Plants and other sources of power ;
  - ii. Availability of power from Renewable energy sources within and outside the State
  - iii. Expected share of the Licensee(s) from new generating stations due for commissioning for which PPA has been signed or in the process of signing;
  - iv. Power Banking arrangements;
  - v. Trends in Captive Power Consumption
  - vi. Uprating of existing power plants;
  - vii. Phase out of old stations or non-availability of power due to extended period of maintenance/ renovation & modernization of old generating plants
  - viii. Planned maintenance schedules of generating stations;
  - ix. Renewable Purchase Obligation
- 5.5.3. For assessment / calculation of Peak Demand (MW) and Energy Requirement (MU), the following methodology shall be adopted.
- a. Generation from existing Hydro Power Plants shall be based on average of actual generation during last 3 years with suitable adjustments;

Provided that, in case of new Hydro Power Plants availability shall be considered as per applicable norms;

- b. Generation from existing State Thermal Plants shall be based on the average of actual generation during last three (3) years with suitable adjustments, whereas generation of existing Central Sector Thermal Plants shall be based on the actual generation in previous year;

Provided that, in case of new Thermal Power Plants, Plant Availability Factor and auxiliary consumption shall be considered as per applicable norms;

- c. Generation from existing Renewable energy Plants within the State shall be taken as actual generation in the previous year, whereas for new plants, Plant Availability Factor and auxiliary consumption shall be considered as per applicable norms;
- d. For existing and new Nuclear Power Plants, the Plant Availability Factor and auxiliary consumption shall be considered as per applicable norms;
- e. The transmission losses for both ISTS and Intra State transmission system shall be considered same as that of previous year.

Provided that, in case of any deviation from above methodology for assessment of availability of power, proper justification shall be provided.

## **5.6. Bulk Power Procurement Plan and Power Purchase Cost**

### **5.6.1. Long Term Power Procurement Plan**

- i. The long-term Power Procurement Plan shall be prepared by GRIDCO for 5 (five) years based on the inputs provided by the Distribution Licensee(s). The plan shall be prepared on monthly basis as per the principles laid down in these Regulations.
- ii. GRIDCO shall submit Month wise details (with year-wise totals) indicating power expected to be produced from State generating stations, Central sector generating stations and other sources of power with whom long-term power purchase agreements have been entered into, short-term purchases of electricity (both in terms of demand in MW and energy in MU) and power purchase expenses in terms of Fixed Charge and Energy Charge etc.
- iii. GRIDCO shall also submit break-up of power purchase cost and quantum of power from each of the generator for which expense has been incurred in the past three (3) years
- iv. The breakup of power for State Consumption and for Trading shall be submitted separately along with the long-term power procurement plan.

- v. The long-term power procurement plan shall be submitted by GRIDCO to the Commission within sixty (60) days from receipt of inputs from the Distribution Licensee(s).

#### **5.6.2. Short-Term Power Procurement Plan**

- i. The short-term Power Procurement Plan shall be prepared by GRIDCO for peak and off-peak periods in terms of Demand (MW) and Energy Requirement (MU) taking into account the following:-
  - a) Weather forecast and seasonal variations;
  - b) The power transactions through banking;
  - c) Renewable purchase obligation;
- ii. The Power Procurement Plan shall be strictly as per Merit Order principle and it shall be the least cost plan with the ultimate objective of providing safe, secure, reliable and quality power supply to all consumers at economically viable tariffs complying to all relevant standards & Regulations;

Provided that the must run Plants/generators shall be exempted from Merit Order principle.

- iii. The short-term power procurement plan shall be submitted to the Commission by 30<sup>th</sup> November of every year based on inputs from the Distribution Licensee(s).
- iv. The power purchase quantum and cost shall be calculated based on the estimates for demand and energy requirement.

#### **5.6.3. Transmission Charges:**

The Distribution Licensee shall be allowed to recover transmission charges payable for access to and use of the intra-State transmission system in accordance with the tariff approved by the Commission in its Orders.

#### **5.6.4. SLDC Fees & Charges:**

The Distribution Licensee shall be allowed to recover SLDC Fees and Charges payable to SLDC in accordance with the tariff approved by the Commission in its Orders.

### **5.7. Fuel and Power Purchase Cost Adjustment Surcharge (FPPAS)**

- 5.7.1. The FPPAS shall be calculated by GRIDCO and levied on the Distribution Licensee(s) monthly basis without going through regulatory approval process according to the formula prescribed in these Regulations subject to true up on annual basis by the Commission.
- 5.7.2. The FPPAS shall be computed and levied by GRIDCO in n<sup>th</sup> month for actual increase /decrease in power purchase cost for the power procurement on cumulative basis up to (n-2)<sup>th</sup> month of the year. (For example: the FPPAS for

power supplied in the month of April 2023 shall be computed and billed in the month of June 2023 after receipt of bills from the Generators and Transmission Utilities etc. taking into account of the changes in fuel cost and power purchase cost).

Provided that if GRIDCO fails to compute and levy FPPAS within this timeline, except in case of any force majeure condition or due to any uncontrollable factors its right to recovery of costs on account of FPPAS shall be forfeited. However, this shall be considered during annual trueing up of its expenditure.

Provided that, the FPPAS shall be computed and billed by GRIDCO if actual cumulative average monthly power purchase cost per unit (Rs./kWh) exceeds 3% of the approved average power purchase cost per unit (Rs./kWh) in the ARR order of the Commission for the corresponding year. The revenue recovered on account of pass through of FPPAS by GRIDCO shall be trueed up annually by the Commission. GRIDCO in its True-up Petition shall submit details of surplus/deficit in recovery of revenue through FPPAS. All details including formula for computation of FPPAS and recovery thereof shall be readily available in the website of GRIDCO through a dedicated web address.

#### **Computation of FPPAS to be levied to the Distribution Licensee(s)**

- 5.7.3. The FPPAS to be levied on the Distribution Licensee(s) shall be computed by GRIDCO in terms of Rs./kWh as per the following formula considering energy consumption (in MUs) of all the Distribution Licensee(s) of the State:

$$\text{FPPAS (Rs./kWh)} = \frac{(A - B - (C \times \frac{D}{(1-E)}) + 10) \times 10}{D}$$

where;

- A: Actual Power Purchase Cost including Inter-State Transmission Charge and expenses made towards the interest on loan availed by GRIDCO for purchasing power from Generator(s) dues (in Rs. Crore) in the (n-2)<sup>th</sup> month
- B: Revenue earned from trading, emergency sale of power etc. (in Rs. Crore) upto (n-2)<sup>th</sup> month excluding any charges on account of Deviation Settlement Mechanism (DSM)
- C: Approved average Power Purchase Cost per unit (in Rs./kWh) in ARR order of GRIDCO
- D: Sale of energy to all Distribution Licensee(s) in the State (in MUs) in (n-2)<sup>th</sup> month
- E: Approved Intra-State Transmission Loss in %

- 5.7.4. GRIDCO shall raise the bill for FPPAS on the Distribution Licensee(s) at a uniform rate in n<sup>th</sup> month as arrear BSP.

Provided that no FPPAS shall be computed and levied by GRIDCO in case increase in actual cumulative power purchase cost per unit (Rs./kWh) upto (n-2)<sup>th</sup> month is less than 3% of the approved average power purchase cost per unit (Rs./kWh) of GRIDCO by the Commission.

**Computation and Recovery of FPPAS by the Distribution Licensee(s)**

- 5.7.5. The Distribution Licensee(s) shall recover, FPPAS from consumers on monthly basis in the form of **Power Purchase Surcharge (PPS)** in proportion to their energy consumption without going through regulatory approval process.
- 5.7.6. The **PPS** to be levied on the consumers of the State shall be computed by the Distribution Licensee(s) in terms of Rs./kWh as per the following formula:

$$\text{PPS (Rs./kWh)} = (\text{FPPAS per unit levied on the Distribution Licensee(s) by GRIDCO}) \div (1 - \text{Average Distribution loss (in \% approved by the Commission for the Distribution Licensee(s) of the State as a whole in the ARR order)})$$

Provided that PPS shall be levied when the actual cumulative Average Billing Rate of the Distribution Licensee(s) up to (n<sup>th</sup>) month is less than the approved Average Billing Rate by the Commission in the ARR Order for the respective year.

Provided that when the consumer billing is in terms of kVAh it shall be treated as equal to kWh and accordingly PPS of the consumer per unit shall be computed.

- 5.7.7. PPS shall be billed uniformly to all the consumers of the State except Kutir Jyoti category.
- 5.7.8. The consumers shall be billed by the Distribution Licensee(s) on (n+1)<sup>th</sup> month where n is the month for which FPPAS bill has been raised by GRIDCO except for the force majeure condition or due to any uncontrollable factor. In case, the Distribution Licensee(s) fails to raise PPS bill to the consumers by (n+2)<sup>th</sup> month the right to recover the same through PPS shall be forfeited. However, this shall be considered during annual truing up exercise of its expenditure by the Commission.
- 5.7.9. The revenue recovered on account of PPS by the Distribution Licensee(s) shall be Trued-up annually.
- 5.7.10. The Distribution Licensee(s) shall ensure that the PPS bill raised to the consumers is clearly identified as a separate entry in the monthly bill of the consumer.

5.7.11. All details including formula for computation of monthly PPS and recovery thereof shall be readily available in the website of DISCOMs.

## **5.8. Provision for Bad and Doubtful Debt:**

5.8.1. The Commission may allow provisioning for writing off of bad debts as a pass through in the Aggregate Revenue Requirement, as a prudent commercial practice in the revenue requirement of the licensee. The Bad and Doubtful debt during this control period shall be allowed after prudence check based on the actual write off of bad debts during the year, subject to ceiling of @ 1% of the total annual revenue realisation from sale of electricity as per audited accounts of the distribution licensee for that year.

Provided further that if subsequent to the write off of a particular bad debt, revenue is realised from such bad debt, the same shall be included as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realised.

## **5.9. Non-Tariff Income**

5.9.1. The amount of Non-Tariff Income relating to the Retail Supply of electricity as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by the Distribution Licensee.

Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with his application for determination of tariff.

5.9.2. The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- a. Income from rent of land or buildings or other assets;
- b. Income from sale of scrap;
- c. Income from statutory investments;
- d. Income from interest on Fixed Deposits (including contingency reserve investment) ;
- e. Interest on Security Deposits not passed on to the consumers
- f. Interest on advances to suppliers/contractors;
- g. Income from rental from staff quarters;
- h. Income from rental from contractors;
- i. Income from hire charges from contactors and others;
- j. Income from advertisements, sale of tender documents etc.;
- k. Meter/metering equipment/service line rentals;

- l. Service charges;
- m. Income from customer Charge
- n. Income from recovery for theft and pilferage of energy;
- o. Prompt Payment Rebate
- p. Miscellaneous receipts;
- q. Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- r. Prior period income;
- s. Supervisory charges for contractual works;
- t. Any Other Non-Tariff Income;
- u. Rebate on Power Purchase and Transmission Charges;

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Retail Supply Business of the Distribution Licensee shall not be included in Non-Tariff Income.

Provided further that any income earned by a Distribution Licensee by sale of power to other Distribution Licensees or to consumers as per Section 49 of the Act using the existing power purchase agreements or bulk supply capacity allocated to the Distribution Licensee's area of supply shall be reduced from the Aggregate Revenue Requirement of the Distribution Licensee for the purpose of determination of tariff.

## **5.10. Income from Other Business**

5.10.1. Where the Retail Supply Business of the Distribution Licensee is engaged in any Other Business under Section 51 of the Act for optimum utilisation of its assets, an amount equal to half of the revenues from such Other Business after deduction of all direct and indirect costs attributable to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the tariff from retail supply of electricity by the Distribution Licensee:

Provided that the Distribution Licensee shall follow a reasonable basis for allocation of all common costs between the Distribution Business and the Other Business and shall submit the Allocation Statement, duly audited and certified by the statutory auditors, to the Commission along with his application for determination of tariff;

Provided also that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall be allowed to be added to the Aggregate Revenue Requirement of the Distribution Licensee on account of such Other Business.

### **5.11. Receipts on account of cross-subsidy surcharge**

5.11.1. The cross-subsidy surcharge received by the Distribution Licensee in accordance with the Odisha Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2020, as amended from time to time, and as per Orders issued hereunder, at the rate approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by such Distribution Licensee, at the time of truing up.

### **5.12. Receipts on account of Additional Surcharge**

5.12.1. The Additional surcharge received by the Distribution Licensee in accordance with the Odisha Electricity Regulatory Commission (Terms and Conditions of Intra-State Open Access) Regulations, 2020, as amended from time to time, at the rate approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by such Distribution Licensee, at the time of truing up.

### **5.13. Distribution Loss**

5.13.1. For estimating the distribution loss in ARR, the licensee is required to carry out proper loss estimation studies based on Energy accounting and audit. Based on such loss estimation studies, the Distribution Licensees shall submit voltage-wise distribution loss segregating them into technical loss and commercial loss for each year of the Control Period.

5.13.2. The Commission shall examine the filing made by distribution licensee in respect of distribution loss and shall approve a loss target for each year of the Control Period, based on the opening loss levels, licensee's filings/submissions, benchmarking, past trends, objections raised by the stakeholders, loss level decided in vesting Orders and any other factor considered relevant by the Commission. This approved loss target will be used for computing sale of power to consumers for that year.

### **5.14. Recovery of Fee**

5.14.1. The Distribution licensee shall recover the fees and charges as determined by Commission from time to time for filing of petitions or applications before the Commission.

### **5.15. Determination of Tariff**

5.15.1. The Commission may categorize consumers on the basis of their load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position



of any area, the nature of supply and the purpose for which the supply is required.

5.15.2. The Commission shall endeavour to reduce gradually the cross-subsidy between consumer categories with respect to the average cost of supply in accordance with the provisions of the Act.

5.15.3. While determining the tariff the Commission may also keep in view the cost of supply at different voltage levels and the need to minimise tariff shock to any category of consumers.

#### 5.15.4. Peak and Off-peak Tariff

A differential tariff for peak and off-peak hours is necessary to promote demand side management. The Commission may encourage the distribution licensees to move towards separate peak and off-peak tariffs. The Commission shall stipulate the broad classification of consumers eligible for peak, off-peak and normal tariff and the periods for peak and off-peak and normal consumption.

#### 5.15.5. Bulk Supply Price

The Commission may continue to adopt a differential Bulk Supply Price mechanism to address the issues of uniform retail tariffs and which will be reviewed by the Commission from time to time.

#### 5.15.6. Quality of Supply and consumer services

- a. The quality of supply and the customer service parameters shall be monitored as per the norms specified by the Commission from time to time.
- b. The quality of supply and customer service would be used to evaluate the performance of licensees. For this purpose, the Commission has laid down Overall Standards of Performance of licensee by way of separate Regulations.
- c. The Commission will specify various parameters and initiatives to benchmark and monitor quality of supply and customer service from time to time. The Commission shall make an assessment on reliability of baseline data and may prescribe the performance trajectory for each identified parameter for the Control Period.
- d. The Licensee shall submit the performance on each parameter in the form and manner directed by the Commission. The Commission shall conduct periodic reviews on the performance of the Licensee with respect to quality parameters.

## **6. MISCELLANEOUS**

### **6.1. Saving of Inherent Power of the Commission**

- 6.1.1. Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice or to prevent the abuse of the process of the Commission.
- 6.1.2. Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.
- 6.1.3. Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Acts for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit. In case of any conflict between the Vesting Orders, these Regulations, Bulk Supply Agreement and Bulk Power Transmission and SLDC Agreement, the decision of the Commission shall be final and binding on all parties.

### **6.2. Effect of Non-Compliance:**

- 6.2.1. Failure to comply with any requirement of these Regulations shall not invalidate any Proceeding merely by reason of such failure unless the Commission is of the view that such failure has resulted in miscarriage of justice.

### **6.3. General**

- 6.3.1. The Commission shall be guided by the following:
  - a. The principles and methodologies specified by the Central Commission for determination of the tariff applicable to Generating Companies and Transmission Licensees as may be in force from time to time;
  - b. The National Electricity Policy and Tariff Policy as may be in force from time to time; and
  - c. Principles as mentioned in Section 61 of the Electricity Act, 2003 and its amendments if any.

### **6.4. Issue of orders and practice directions**

- 6.4.1. Subject to the provisions of the Act and these Regulations, the Commission may, from time to time, either suo-motu or on a Petition filed by the licensee, issue orders and practice directions in regard to the implementation of these Regulations and procedure to be followed on various matters, which the

Commission has been empowered by these Regulations to direct and matters incidental or ancillary thereto.

6.4.2. Notwithstanding anything contained in these Regulations, the Commission shall have the authority, either suo-motu or on a petition filed by any interested or affected party, to determine the tariff of any Applicant.

6.4.3. The commission, if need arises, due to insufficiency of data, explanation, information etc provided by the petitioner, may issue provisional tariff, till such time final tariff is determined.

#### **6.5. Power to remove difficulties**

6.5.1. If any difficulty arises in giving effect to any of the provisions of these Regulations, the Commission may, by general or special order, do anything not being inconsistent with the provisions of the Act, which appears to it to be necessary or expedient for the purpose of removing the difficulties.

#### **6.6. Power to Relax**

6.6.1. The Commission, for reasons to be recorded in writing, may relax any of the provisions of these regulations on its own motion or on an application made before it by an interested person.

#### **6.7. Power to Amend**

6.7.1. The Commission, for reasons to be recorded in writing, may at any time vary, alter or modify any of the provisions of these Regulations by an amendment.

#### **6.8. Interpretation**

6.8.1. If a question arises relating to the interpretation of any provision of these Regulations, the decision of the Commission shall be final.

#### **6.9. Inquiry and Investigation**

6.9.1. All inquiries, investigations and adjudications under these Regulations shall be done by the Commission through the proceedings in accordance with the provisions of the Odisha Electricity Regulatory Commission (Conduct of Business) Regulations, 2004, as amended from time to time.

**By Order of the Commission**

**(Dr Priyabrata Patnaik)**

Secretary

Odisha Electricity Regulatory Commission,  
Bhubaneswar

**Place:** Bhubaneswar

**Date:** XX.XX.2022

## Annexure-I

## Summary of Timelines

Sl. No.	Description	Timeline for Filing of Petition	Furnishing additional information as sought by the Commission	Disposal of the Application
A	Business Plan for the Control Period for FY 2023-24 to FY 2027-28	November 15, 2022	Within 30 days of filing of document	Within 120 days of acceptance of the filing
B	Capital Expenditure Plan and Capitalisation Plan for the ensuing year	September 10 of FY for which APR shall be filed	Within 30 days of filing of document	Within 120 days of acceptance of the filing
C	*True-Up for the previous year, Annual Performance Review (APR) for the current year and Annual Revenue Requirement (ARR)& Tariff Determination for the ensuing year	November 30 of the Financial Year for which APR has been sought	Within 30 days of filing of document	Within 120 days of acceptance of the filing

*\*The Distribution Licensee shall be required to consider the approved Capital Expenditure Plan and Capitalisation Plan for preparation of ARR for ensuing year.*

*In case approved Capital Expenditure Plan and Capitalisation Plan is not available at the time of preparation of ARR the plan submitted for approval before the Commission may be considered.*

## Annexure-II

### Depreciation Schedule

Sl. No.	Description of Assets	Depreciation Rate
<b>A</b>	<b>Land under full ownership</b>	NIL
<b>B</b>	<b>Land held under lease</b>	
i	for purpose of creation of assets	3.34%
ii	for the cost of clearing the site	3.34%
<b>C</b>	<b>Assets purchased new:</b>	
a	Building and Civil works of	
i	Offices & Showrooms	3.34%
ii	Temporary erections such as wooden structures	100%
iii	Roads other than kutchra roads	3.34%
iv	Others	3.34%
b	Transformers, transformer (Kiosk) Sub-station equipment & other fixed apparatus (including plant foundations)	
i	Transformers including foundations having rating of 100 KVA and over	4.67%
ii	Others	4.67%
c	Switchgear including cable connections	4.67%
d	Lightning Arrestors	
i	Station Type	4.67%
ii	Pole Type	4.67%
iii	Synchronous Condenser	4.67%
e	Batteries	4.67%
i	Underground cable including joint boxes and disconnected boxes	4.67%
ii	Cable duct system	4.67%
f	Overhead lines including supports	
i	Lines on fabricated steel operating at terminal voltages higher than 66 KV	4.67%
ii	Lines on steel supports operating at terminal voltages higher than 13.2 KV but not exceeding 66 KV	4.67%
iii	Lines on steel or reinforced concrete supports	4.67%
iv	Lines on treated wood supports	4.67%
g	Meters	4.67%
h	Self-propelled vehicles	9.50%
i	Air conditioning plants	
i	Static	4.67%
ii	Portable	9.50%
j	Furnitures and Fittings	
i	Office furniture and fittings	6.33%
ii	Office Equipments	6.33%
iii	Internal wiring including fittings and apparatus	6.33%
iv	Street Light Fittings	4.67%
k	Apparatus let on Hire	
i	Motors	6.33%

Sl. No.	Description of Assets	Depreciation Rate
ii	Other than motors	9.50%
l	Communication Equipment	
i	Radio and high frequency carrier system	6.33%
ii	Telephone lines and telephones	6.33%
m	IT equipments	15.00%
n	Software	30.00%
o	Assets purchased second hand and assets not otherwise provided for in the Schedule	4.67%

**Note:**

*The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:*

*Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered to be depreciable.*

## Annexure-III

### AT&C Loss Trajectory for Tariff Determination as approved in Vesting Order

Year	TPCODL	TPWODL	TPSODL	TPNODL
FY 2021	23.70%	-	-	-
FY 2022	23.70%	20.40%	25.75%	19.17%
FY 2023	23.70%	20.40%	25.75%	19.17%
FY 2024	22.00%	18.90%	25.75%	17.09%
FY 2025	20.00%	17.40%	25.35%	15.00%
FY 2026	18.00%	15.90%	25.00%	13.83%
FY 2027	16.00%	14.50%	22.57%	12.76%
FY 2028	15.00%	13.00%	20.38%	11.77%
FY 2029	14.00%	11.50%	18.40%	10.85%
FY 2030	13.50%	10.00%	16.61%	10.00%
FY 2031	-	9.50%	15.00%	9.50%

### AT&C Loss Trajectory Commitment by Distribution Licensees as approved in Vesting Order

Year	TPCODL	TPWODL	TPSODL	TPNODL
FY 2021	29.13%	-	-	-
FY 2022	26.89%	27.56%	35.29%	24.32%
FY 2023	23.76%	25.56%	34.29%	22.32%
FY 2024	21.98%	22.50%	32.80%	20.80%
FY 2025	20.19%	20.50%	30.00%	17.80%
FY 2026	-	18.50%	26.75%	15.50%
FY 2027	-	14.50%	22.00%	12.50%
FY 2028	-	12.50%	20.00%	11.50%
FY 2029	-	11.00%	18.00%	10.50%
FY 2030	-	9.50%	16.25%	9.50%
FY 2031	-	9.08%	14.80%	8.90%