

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

NOTIFICATION

The 17th September, 2012

No. PSERC/Secy/Regu. 74 – In exercise of powers conferred on it under Section 61 read with Section 181 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling the Commission in this behalf, the Punjab State Electricity Regulatory Commission hereby makes the following Regulations to amend the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005, namely:

1. **Short Title and Commencement:**

- (1) These Regulations shall be called the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff), Second Amendment, Regulations, 2012.
- (2) These Regulations shall come into force on the date of their publication in the official Gazette of the Government of Punjab.

2. **Amendment of Regulation 3(1) - Definitions**

A new definition shall be added as (b1) and the definition at (n) shall be substituted as under:

- (b1) “**Carrying Cost for Regulatory Asset**” shall mean the interest on Regulatory Asset at the State Bank of India Advance Rate (SBAR) as on April 1 of the relevant year;
- (n) “**Open Access Regulations**” shall mean the ‘Punjab State Electricity Regulatory Commission (Terms and Conditions for Intra-state Open Access) Regulations, 2011’ as amended from time to time;

3. **Amendment of Regulation 7 - Cross Subsidy**

Regulation 7 shall be substituted as under:

- (1) “Cross-subsidy for a consumer category” means the difference between the average realization per unit from that category and the combined average cost of supply per unit expressed in percentage terms as a proportion of the combined average cost of supply.

- (2) The Commission shall determine the tariff so that it progressively reflects the combined average unit cost of supply and the cross subsidy as defined above shall be reduced gradually to $\pm 20\%$ of the average cost of supply.

4. Amendment of Regulation 10 -Excess or Under Recovery with respect to Norms and Targets

A new clause (3) shall be added as under:

- (3) The Transmission licensee shall be paid transmission charge (inclusive of incentive) for a calendar month for a transmission system or part thereof

$$= AFC \times (NDM / NDY) \times (TAFM / NATAF)$$

Where,

AFC = Annual fixed cost specified for the year, in Rupees

NATAF = Normative annual transmission availability factor shall be taken as 98%

NDM = Number of days in the month

NDY = Number of days in the year

TAFM = Transmission system availability factor for the month, in %, calculated by the respective Transmission Licensee got verified and certified by the SLDC.

5. Amendment of Regulation 14 -Aggregate Revenue Requirement

The sub clause (b) & (c) under clause 2 shall be substituted as under:

- (b) Income from surcharge and additional surcharge from Open Access Consumers as per Open Access Regulations 26 and 27, if any ;
- (c) Transmission and/or Wheeling Charges recovered from the Open Access Customers as per Open Access Regulations 23 and 25, if any ;

6. Amendment of Regulation 17-Estimate of Energy Input Requirement

A new clause (4) shall be added as under:

- (4) The distribution licensee (s) shall furnish a firm proposal with regard to source-wise purchase of electricity from various renewable sources of energy including own generation from renewable sources for complying with its 'Renewable Purchase Obligation' specified by the

Commission in PSERC (Renewable Purchase Obligation and its compliance) Regulations, 2011 as amended from time to time.

7. Amendment of Regulation 20 - Cost of Generation

Regulation 20 shall be substituted as under:

While determining the cost of generation of each thermal / gas / hydro electric generating stations located within the State, the Commission shall be guided, as far as feasible, by the principles and methodologies of CERC, as amended from time to time.

8. Amendment of Regulation 22 -Capital Investment Plan

New sub-clauses (5) & (6) shall be added as under:

- (5) The Commission while approving the investment plan of the utility shall take cognizance of the level of actual expenditure incurred during the relevant year and the preceding year apart from the physical progress achieved in the previous years.
- (6)
 - (i) The generating company shall obtain prior approval of the Commission to each project/scheme where capital expenditure is estimated to exceed Rs.50 crore. The company shall also submit detailed supporting documents including Project Report along with cost benefit analysis while seeking approval of the Commission.
 - (ii) The transmission licensee (s) and SLDC shall obtain prior approval of the Commission to each scheme where capital expenditure is estimated to exceed Rs.20 crore. The licensee (s) shall also submit detailed supporting documents including Project Report along with cost benefit analysis while seeking approval of the Commission.
 - (iii) The distribution licensee (s) shall obtain prior approval of the Commission to each scheme (other than that relating to release of connections) where capital expenditure is estimated to exceed Rs.10 crore. The licensee (s) shall also submit detailed supporting documents including Project Report along with cost benefit analysis while seeking approval of the Commission.

9. Amendment of Regulation 25- Return on Equity

Clause (1) shall be substituted and a new clause (4) shall be added as under:

- (1) Return on Equity shall be computed @ 15.5% on the paid up equity capital determined in accordance with Regulation 24.
- (4) For allowing Return on Equity, the Commission shall consider the actual amount of equity employed in creation of assets.

10. Amendment of Regulation 26 - Interest and Finance Charges on Loan

Clauses (1), (2) & (6) shall be substituted as under:

- (1) For Existing Loan Capital, Interest & finance charges shall be computed on the outstanding Loans, duly taking into account the rate of interest & schedule of repayment as per the Terms & Conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable by the Licensee(s) or the State Bank of India Advance rate as on April, 1 of the relevant year, wherever is lower.
- (2) For New investments, Interest & finance charges shall be computed on the loans, duly taking into account the rate of interest & schedule of repayment as per the Terms & Conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable by the Licensee(s) or the State Bank of India Advance rate as on April, 1 of the relevant year, wherever is lower.
- (6) The Commission shall allow obligatory taxes on interest, commitment charges, finance charges (including guarantee fee payable to the Govt.) and any exchange rate difference arising from foreign currency borrowings, as finance cost.

11. Amendment of Regulation 27 - Depreciation

Sub-clause (e) under Clause (1) shall be substituted as under:

- (e) Depreciation for distribution and other assets not covered by CERC shall be as per the rates notified in the Companies Act as revised from time to time.

12. Amendment of Regulation 28 - Operation & Maintenance Expenses

Regulation 28 shall be substituted as under:

- (1) 'Operation & Maintenance expenses' or 'O&M expenses' shall mean repair and maintenance (R&M) expenses, employee expenses and administrative & general expenses(A&G) including insurance.
- (2) O&M expenses for distribution licensee (s) shall be determined by the Commission as follows :
 - (a) O&M expenses as approved by the Commission for the year 2011-12 (true up) shall be considered as base O&M expenses for determination of O&M expenses for subsequent years.
 - (b) Base O&M expenses (except employee cost) as above shall be adjusted according to variation in the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year to determine the O&M expenses for subsequent years.

Provided that any expenditure on account of license fee, initial or renewal, fees for determination of tariff and audit fee shall be allowed on actual basis over and above the A&G expenses approved by the Commission.
 - (c) In case of a new distribution licensee (s), the Commission shall make suitable assessment of base O&M expenses of the new licensee (s) and allow O&M expenses for subsequent years for the new licensee (s) on the basis of such estimation and principle as given in clause (b) above. However, for employee cost the principle specified in clause (3) below will be followed.
- (3) The employee cost for a distribution licensee (s) shall be determined as follows:
 - (a) The employee cost as claimed by the distribution licensee (s) shall be considered in two parts:

- (i) Terminal benefits such as Death-cum-Retirement Gratuity, Pension, Commuted Pension, Leave Encashment, LTC, Medical reimbursement including fixed medical allowance in respect of pensioners and share of BBMB employee expenses and
- (ii) all other expenses accounted for under different sub-heads of employee cost taken together.

The cost component of terminal benefits and BBMB expenses shall be allowed on actual basis and increase in all other expenses under different sub-heads shall be limited to the increase in Wholesale Price Index (all commodities) as per clause (2) (b) above.

- (b) Exceptional increase in employee cost on account of pay revision etc. shall be considered separately by the Commission.
 - (c) The additional employee cost in case of New installations/Network for the year of installation shall be considered separately by the Commission on case to case basis keeping in view the principles and methodologies enunciated in these regulations.
- (4) (a) The O&M expenses (except employee cost) for transmission licensee (s) shall be allowed as per the provisions given in clause (2) above. The employee cost shall however, be determined keeping in view the provisions contained in clause (3).
- (b) In case of a new transmission licensee (s), the Commission shall make suitable assessment of base O&M expenses of the new licensee (s) and allow O&M expenses for subsequent years for the new licensee (s) on the basis of such estimation and principle as given in clause (2)(b) above. However, for employee cost the principle specified in clause (3) above will be followed.

- (5) (a) For the determination of O&M expenses (except employee cost) for generating company, the Commission shall allow O & M expenses (except employee cost) in accordance with Clause (2). The employee cost will, however, be determined keeping in view the provisions contained in Clause (3).
- (b) In case of a new generating company (s), the Commission shall make suitable assessment of base O&M expenses of the new licensee (s) and allow O&M expenses for subsequent years for the new licensee (s) on the basis of such estimation and principle as given in Clause (2)(b) above. However, for employee cost the principle specified in Clause (3) above will be followed.
- (6) O&M expenses excluding employee expenses for gross fixed assets added during the year shall be considered for a period of six months in cases where Commercial Operation Date of the assets is not available otherwise from the date of commissioning on pro-rata basis.
- (7) O&M expenses excluding employees cost for a Company/ licensee (s) performing generation and/or distribution & trading functions shall be determined by the Commission on the norms and principles indicated at clause (2) above.
- The employee cost will, however, be determined keeping in view the provisions contained in Clause (3).
- (8) O&M expenses of assets taken on lease/hire-purchase and those created out of the consumers' contribution, shall be considered in case the generating company or the licensee has the responsibility for its operation and maintenance and bears O&M expenses.

13. Regulation 29 A - Royalty Charges payable to State Government

A new Regulation 29A shall be added as under:-

The Commission shall allow the Royalty Charges Payable to State Government on account of maintenance as well as charges for remaining capital works of RSD.

14. Amendment of Regulation 30- Working Capital & Interest rate on Working Capital

Regulation 30 shall be substituted as under:-

(1) For transmission licensee (s) and SLDC, the working capital shall be the sum of the following:

- (i) Operation and Maintenance expenses for one month
- (ii) Receivables equivalent to two months
- (iii) Maintenance spares @ 15% of Operation and Maintenance expenses

(2) Working capital for distribution licensee (s) shall be the sum of the following:

- (i) Operation and Maintenance expenses for one month
- (ii) Receivables for two months
- (iii) Maintenance spares @ 15% of O&M expenses

Less

Consumer Security Deposit

(3) Working capital for a generating company shall be the sum of the following:

- (i) Fuel Cost for two months
- (ii) Operation and Maintenance expenses for one month
- (iii) Receivables equivalent to two months
- (iv) Maintenance spares @15% of O&M expenses

(4) Working capital for a company performing generation, distribution and trading functions shall be the sum of the following:

- (i) Fuel Cost for two months
- (ii) Operation and Maintenance expenses for one month
- (iii) Receivables for two months
- (iv) Maintenance spares @15% of O&M expenses

Less

Consumer Security Deposit

- (5) The rate of interest on working capital shall be equal to the actual rate of interest paid/ payable on loans by the licensee (s) or the State Bank of India Advance Rate as on April 1 of the relevant year, whichever is lower. The interest on working capital shall be payable on normative basis notwithstanding that the licensee (s) has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures.

15. Amendment of Regulation 34- Non Tariff Income

Regulation 34 shall be substituted as under:

Following components of income shall be treated as non tariff income for the generating company or the licensee (s) as applicable:

- Meter/metering equipment/service line rentals
- Service charges
- Customer charges
- Revenue from late payment surcharge
- Miscellaneous receipts
- Incentives from CGS's
- Miscellaneous charges (except PLEC charges)
- Interest on staff loans and advances
- Interest on advances to suppliers
- Income from trading
- Income from staff welfare activities
- Excess found on physical verification
- Interest on investments, fixed and call deposits and bank balances
- Net recovery from penalty on coal liaison agents
- Prior period income
- Income from open access charges i.e. application fee, cross subsidy surcharge, additional surcharge, transmission and/or wheeling charges, scheduling charges etc.

16. Amendment of Regulation 37- Generation Tariff

Regulation 37 shall be substituted as under:

The components of generation tariff shall be as laid down in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 as applicable from time to time.

17. Amendment of Regulation 40 - Open Access Charges

In regulation 40:

‘Punjab State Electricity Regulatory Commission (Open Access) Regulations, 2005 notified by the Commission’ shall be substituted by ‘Open Access Regulations, as amended from time to time’

And sub-clauses (b) & (c) shall be substituted as under:

(b) Surcharge

A consumer availing Open Access to the transmission system and / or distribution system shall pay a surcharge as per Regulation 26 of the Open Access Regulations, as amended from time to time’

(c) Additional Surcharge

A consumer availing Open Access and receiving supply of electricity from a person other than the distribution licensee of his area of supply shall be liable to pay to the distribution licensee an additional surcharge as specified in Regulation 27 of the Open Access Regulations, as amended from time to time’

By Order of the Commission

(PP GARG)

Secretary to the Commission