

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION**

**Draft Notification**

**The -----, 2023**

No. PSERC/Secy/Regu. - In exercise of the powers conferred under Section 181 of the Electricity Act, 2003 (Central Act 36 of 2003) and all powers enabling the Commission in this behalf and after previous publication, the Punjab State Electricity Regulatory Commission hereby makes the following Regulations to amend the Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 including the first to fifth amendments thereof (hereinafter referred as “the Principal Regulations”) namely:-

**1. Short Title and Commencement:**

- (1) These regulations shall be called the Punjab State Electricity Regulatory Commission (Conduct of Business) (6<sup>th</sup> Amendment) Regulations, 2023.
- (2) These Regulations shall come into force from the date of their notification in the official gazette of the State.

**2. Amendments in Regulation 55 of the Principal Regulations – Revision of Tariff**

Regulation 55 (1) of the Principal Regulations shall be substituted as under:

“No tariff determined by the Commission may be amended more frequently than once in any financial year except that tariff rates shall be adjusted in accordance with Fuel and Power Purchase Adjustment Surcharge” (FPPAS) incorporated in the tariff order or in any other order of the Commission. Till otherwise notified by the Commission Fuel and Power Purchase Adjustment Surcharge formula shall be as per Appendix – 7”.

**3. Amendments in Appendix 7 of the Principal Regulations – Fuel Cost Adjustment (FCA) Formula**

Appendix 7 of the Principal Regulations shall be substituted as under:

## APPENDIX-7

(See Regulation 55)

### **FUEL AND POWER PURCHASE ADJUSTMENT SURCHARGE (FPPAS)**

1. For these Regulations “Fuel and Power Purchase Adjustment Surcharge” (FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission
2. The Fuel and power purchase adjustment surcharge shall be calculated and billed to consumers, automatically, by the Licensee, on a monthly basis, according to the formula, prescribed by the Commission, subject to true up, on an annual basis, Provided that the automatic pass through shall be adjusted for monthly billing in accordance with these Regulations.
3. Fuel and Power Purchase Adjustment Surcharge shall be computed and charged by the distribution licensee, in (n+2)<sup>th</sup> month, on the basis of actual variation, in cost of fuel and power purchase and Interstate Transmission Charges for the power procured during the n<sup>th</sup> month. For example, the fuel and power purchase adjustment surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June of the same financial year:  
Provided that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within this time line, except in case of any force majeure condition, its right for recovery of costs on account of fuel and power purchase adjustment surcharge shall be forfeited and, in such cases, the right to recover the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited.
4. The distribution licensee may decide, fuel and power purchase adjustment surcharge or a part thereof, to be carried forward to the subsequent month in order to avoid any tariff shock to consumers, but the carry forward of fuel and power purchase adjustment surcharge shall not exceed a maximum duration of two months and such carry forward shall only be applicable, if the total fuel and power purchase adjustment surcharge for a Billing Month, including any carry forward of fuel and power purchase adjustment surcharge over the previous month exceeds twenty per cent of variable component of approved tariff.
5. The carry forward shall be recovered within one year or before the next tariff cycle whichever is earlier and the money recovered through fuel and power purchase adjustment surcharge shall first be accounted towards the oldest carry forward portion of the fuel and power purchase adjustment surcharge followed by the subsequent month.
6. In case of carry forward of fuel and power purchase adjustment surcharge, the carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be allowed till the same is recovered through tariff and this carrying cost shall be true up in the year under consideration.
7. Depending upon quantum of fuel and power purchase adjustment surcharge, the automatic pass through shall be adjusted in such a manner that,
  - i. If fuel and power purchase adjustment surcharge  $\leq 5\%$ , 100% cost recoverable of computed fuel and power purchase adjustment surcharge by distribution licensee

shall be levied automatically using the formula.

- ii. If fuel and power purchase adjustment surcharge > 5%, 5% fuel and power purchase adjustment surcharge shall be recoverable automatically as per 7(i) above. 90% of the balance fuel and power purchase adjustment surcharge shall be recoverable automatically using the formula and the differential claim shall be recoverable after approval by the Commission during true up.
8. The distribution licensee shall file a petition seeking true-up of fuel and power purchase adjustment surcharge for the year under consideration by 30<sup>th</sup> April of the next financial year. The Commission shall up true up the same by 30<sup>th</sup> June after applying prudence check.

Provided that the distribution licensee shall submit details, of the variation between expenses incurred and the fuel and power purchase adjustment surcharge recovered, and the detailed computations and supporting documents, along with the true-up petition.

9. In case of excess revenue recovered for the year against the fuel and power purchase adjustment surcharge, the same shall be recovered from the licensee at the time of true up along with its carrying cost to be charged at 1.20 times of the carrying cost rate approved by the Commission and the under recovery of fuel and power purchase adjustment surcharges shall be allowed during true up, to be billed along with the automatic Fuel and Power Purchase Adjustment Surcharge amount.

Explanation: -For example in the month of July, the automatic pass-through component for the power supplied in May and additional Fuel and Power Purchase Adjustment Surcharge, if any, recoverable after true up for the month of April in the previous financial year, shall be billed.

10. To ensure smooth implementation of the Fuel and Power Purchase Adjustment Surcharge mechanism and its recovery, the distribution licensee shall ensure that the licensee's billing system is updated to take this into account and a unified billing system shall be implemented to ensure that there is a uniform billing system irrespective of the billing and metering vendor through interoperability or use of open-source software.
11. The licensee shall publish all details including the fuel and power purchase adjustment surcharge formula, calculation of monthly fuel and power purchase adjustment surcharge and recovery of fuel and power purchase adjustment surcharge (separately for automatic and approved portions) on its website and archive the same through a dedicated web address.
12. The Fuel and power purchase adjustment surcharge, shall be computed as under:-  
**Monthly FPPAS for n<sup>th</sup> Month (%) =**

$$(A_{gen} * C_{gen}) + (A_{pp} - B) * (C_{pp}) + (D - E)$$

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$$\{Z * (1 - \text{Distribution losses in \%}/100)\} * ABR$$

- Where, n<sup>th</sup> month means the month in which billing of fuel and power purchase adjustment surcharge component is done. This fuel and power purchase adjustment surcharge is due to changes in tariff for the power supplied in (n-2)<sup>th</sup> month
- A<sub>gen</sub> is the total generation from the licensee's own generating stations in (n-2)<sup>th</sup>

Month (in kWh)

- $A_{pp}$  is the total units procured in (n-2)<sup>th</sup> Month (in kWh) from all Sources including Long-term, Medium –term and Short-term Power purchases (To be taken from the bills issued to distribution licensees)
- B is bulk sale of power from all Sources in (n-2)<sup>th</sup> Month (in kWh) (to be taken from provisional accounts to be issued by State Load Dispatch Centre by the 10<sup>th</sup> day of each month).
- $C_{gen}$  is the incremental Cost of PSPCL's own generating stations = Actual costs of PSPCL's own thermal generating stations in (n-2)<sup>th</sup> month (Rs./kWh) ( computed) – Projected costs of PSPCL's own generating stations (Rs./ kWh)- (from tariff order)
- $C_{pp}$  is incremental Average Power Purchase Cost= Actual average Power Purchase Cost (PPC) from all Sources in (n-2)<sup>th</sup> month (Rs./ kWh) (computed) - Projected average Power Purchase Cost (PPC) from all Sources (Rs./ kWh)- (from tariff order)
- D = Actual inter-state and intra-state Transmission Charges in the (n-2)<sup>th</sup> Month, (From the bills by Transcos to Discom) (in Rs)
- E = Base Cost of Transmission Charges for (n-2)<sup>th</sup> Month. = (Approved Transmission Charges/12) (in Rs)
- Z = [ $\{$ Actual Power purchased from all the sources outside the State in (n-2)<sup>th</sup> Month. (in kWh) $\} \times (1 - \text{Interstate transmission losses in \%} / 100 ) + \text{Power purchased from all the sources within the State (in kWh)} + \text{Energy available from the licensee's own generating stations (in kWh)} \times (1 - \text{Intra state losses in \%}) + \text{Energy received from the sources connected directly with the distribution licensee (in kWh)} - B] / 100$  in kWh
- ABR = Average Billing Rate for the year (to be taken from the Tariff Order in Rs/kWh)
- Distribution Losses (in %) = Target Distribution Losses (from Tariff Order)
- Inter-state transmission Losses (in %) = As per Tariff Order
- Intra-state transmission Losses (in %) = As per Tariff Order

13. The Power Purchase Cost shall exclude any charges on account of Deviation Settlement Mechanism.

14. Other charges which include Ancillary Services and Security Constrained Economic Despatch shall not be included in Fuel and Power Purchase Adjustment Surcharge and adjusted though the true-up approved by the Commission.

The approved formula is subject to the followings:

- i) The Commission can review the formula at any stage.
- ii) The FCA amount shall be calculated on the basis of norms fixed by the Commission for various parameters including total Generation, Power Purchase, SHR, Transit Loss of Coal, Auxiliary consumption at thermal plants and T&D losses.