

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION**  
**AMENDMENTS IN PSERC (CONDUCT OF BUSINESS) REGULATIONS, 2005**

**Explanatory Memorandum**

**A) Background**

In exercise of the powers conferred under Section 181 of the Electricity Act, 2003 (Central Act 36 of 2003) and all other powers enabling the Commission in this behalf, the Punjab State Electricity Regulatory Commission finalized the “Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005”, namely for conduct of its proceedings and discharge of its functions and were notified in the Punjab Government Gazette Extraordinary on 7<sup>th</sup> March, 2005. The Regulations have been subsequently amended/ modified vide notifications dated 07.09.2006 (1<sup>st</sup> Amendment), 08.08.2012 (2<sup>nd</sup> Amendment), 07.05.2013 (3<sup>rd</sup> Amendment), 14.05.2014 (4<sup>th</sup> Amendment) and 16.03.2020 (5<sup>th</sup> Amendment).

Further, in exercise of the power conferred on it by section 181 (2) read with section 61 and 62 of the Electricity Act 2003 (36 of 2003) and all other powers enabling the Commission in this behalf, the Punjab State Electricity Regulatory Commission finalized the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2022” (PSERC MYT Regulations 2022). The Regulations have been subsequently amended, the gazette notification of which is under Publication (1<sup>st</sup> Amendment),

**B) Recent Developments**

1. In exercise of the powers conferred by Section 176 of the Electricity Act, 2003 (36 of 2003), the Central Government has amended the Electricity Rules, 2005 namely Electricity (Amendment) Rules, 2022, vide notification dated 29<sup>th</sup> December, 2022.

2. Rule 14 of the Electricity (Amendment) Rules, 2022 specifies as follows:

***“14 Timely recovery of power purchase costs by distribution licensee:***

*The Appropriate Commission shall within ninety days of publication of these*

*rules, specify a price adjustment formula for recovery of the costs, arising on account of the variation in the price of fuel, or power purchase costs and the impact in the cost due to such variation shall be automatically passed through in the consumer tariff, on a monthly basis, using this formula and such monthly automatic adjustment shall be trued up on annual basis by the Appropriate Commission:*

***Provided that till such a methodology and formula is specified by the Appropriate Commission, the methodology and formula specified in the Schedule – II annexed to these rules shall be applicable:***

*Provided further that the existing methodology and the formula specified by the Appropriate Commission shall suitably be amended in accordance with these rules, to implement the automatic pass through of fuel and power purchase adjustment surcharge, on a monthly basis:*

*Provided also that in case the distribution licensee fails to compute and charge fuel and power purchase adjustment surcharge within the time line, specified by the Appropriate Commission, 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 recovery the fuel and power purchase adjustment surcharge determined during true-up shall also be forfeited and the true up of fuel and power purchase adjustment surcharge by the Appropriate Commission, for any financial Year, shall be completed by 30th June of the next financial year.”*

3. Whereas the Punjab Electricity Regulatory Commission has already notified the methodology and formula for computation of Fuel Cost Adjustment (FCA) on a quarterly basis to be recovered/refunded in Regulation 55 and Appendix 7 of the PSERC Conduct of Business Regulations 2005. Further, Regulation 47 of the MYT Regulations, 2023 provides that Any change in fuel cost from the level approved by the Commission shall be determined by the Distribution Licensee in accordance with the FCA formula specified by the Commission in the Conduct of Business Regulations, along with

amendments issued from time to time and, recovered from the consumers after following the procedure detailed in the Conduct of Business Regulations. Whereas the Electricity (Amendment) Rules, 2022 provide for implementing automatic pass through of fuel and power purchase adjustment cost in the consumer tariff on monthly basis.

4. To implement the provisions of the Electricity (Amendment) Rules, 2022 in the matter of automatic pass through on monthly basis the Punjab Electricity Regulatory Commission is required to amend the relevant provisions of the PSERC (Conduct of Business) Regulations, 2005 and the PSERC MYT Regulations, 2022.

5. Accordingly in exercise of the power conferred under Section 181 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling the Commission in this behalf the Commission hereby proposes to amend Regulation 55 and Appendix 7 of the PSERC (Conduct of Business) Regulations, 2005. Also, in exercise of the power conferred on it by section 181 (2) read with section 61 and 62 of the Electricity Act 2003 (36 of 2003) and all other powers enabling the Commission in this behalf, Commission further proposes to amend Regulation 47 of the PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2022.

6. In view of the above, the draft Punjab State Electricity Regulatory Commission (Conduct of Business) (6<sup>th</sup> Amendment) Regulations, 2023 is enclosed as **Annexure-A** and the PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) (2<sup>nd</sup> Amendment) Regulations, 2023 is enclosed as **Annexure-B**. The comments/suggestions/objections from all the stakeholders are solicited under Sub-section (3) of Section 181 of the Electricity Act, 2003 read with Rule 3 of the Electricity (Procedure for Previous Publication) Rules, 2005 on the draft Regulations.