

Subject: Staff paper on amendment in Regulation 33, 43 and 51 – Interest on Working Capital of the PSERC MYT Regulations, 2019.

In exercise of the powers conferred under section 181 read with Section 61 and 62 of the Electricity Act, 2003 (36 of 2003), the Commission finalized the “Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2019” (PSERC MYT Regulations, 2019). The Regulations inter alia provide terms and conditions for determination of Generation, Transmission, Wheeling and Retail Supply Tariff from 01.04.2020 to 31.03.2023 and were notified in the Punjab Government Gazette Extraordinary on 30th May 2019.

1. Regulation-33.1 of the PSERC MYT Regulations, 2019 provides as under:

“33. INTEREST ON WORKING CAPITAL

33.1. Components of Working Capital

(a) Coal-based Thermal Generating Plants: The Working Capital shall cover the following:

- i. Fuel Cost including cost of limestone / other reagent for 2 months corresponding to the normative annual plant availability factor;*
- ii. Operation and maintenance (O&M) Expenses for 1 month;*
- iii. Maintenance spares @ 15% of the O&M expenses;*
- iv. Receivables equivalent to two (2) months of fixed and variable charges for sale of electricity calculated on the normative annual plant availability factor.”*

(b) Open-cycle Gas Turbine/Combined Cycle Thermal Generating Plants: The Working Capital shall cover the following:

- i. Fuel Cost for one month corresponding to the normative annual plant availability factor, duly taking into account mode of operation of the generating station on gas fuel and liquid fuel;*
- ii. Liquid fuel stock for ½ month corresponding to the normative annual plant availability factor, and in case of use of more than one liquid fuel, cost of main liquid fuel;*

- iii. *Maintenance spares @ 30% of operation and maintenance expenses;*
- iv. *Operation & maintenance expenses for one month;*
- v. *Receivables equivalent to 2 months of capacity charges and energy charges for sale of electricity, calculated on normative plant availability factor, duly taking into account mode of operation of the generating plant on gas fuel and liquid fuel.*

(c) Hydro based generating stations: The Working Capital shall cover the following:

- i. *Maintenance spares @ 15% of operation and maintenance expenses;*
- ii. *Operation & maintenance expenses for 1 month;*
- iii. *Receivables equivalent to 2 months of fixed cost.”*

2. Regulation-43.1 and 43.2 of the PSERC MYT Regulations, 2019 provides as under:

43. INTEREST ON WORKING CAPITAL

43.1. Components of Working Capital for Wheeling of electricity shall cover the following:

- (a) O&M Expenses for wire business for 1 month;*
- (b) Maintenance spares @ 15% of the O&M expenses for wire business;*
- (c) Receivables equivalent to two (2) month of the expected revenue from charges for use of Distribution Wires at the prevailing tariffs; minus Amount, if any, held as security deposits from Distribution System Users*

43.2. Components of Working Capital for Retail Supply business shall cover the following:

- (a) O&M Expenses for retail supply business for 1 month;*
- (b) Maintenance spares @ 15% of the O&M expenses for retail supply business; and*
- (c) Receivables equivalent to 2 months of average of revenue from sale of energy, approved by the Commission in the ARR; Less*

Consumer Security Deposit

One month of power procurement cost including associated cost

3. Regulation-51.1 of the PSERC MYT Regulations, 2019 provides as under:

51. INTEREST ON WORKING CAPITAL

51.1. Components of Working Capital

The Working Capital shall cover the following:

- (a) O&M Expenses for 1 month;*
- (b) Maintenance spares @ 15% of the O&M expenses;*
- (c) Receivables equivalent to two (2) months of fixed cost calculated on normative target availability.*

4. Presently, Fuel Cost for the purpose of tariff determination is taken as actual (based upon approved technical norms) for State owned Thermal plants and IPPs. In case, fuel cost and receivables are taken for two months corresponding to the normative annual plant availability factor, interest on working capital having both the components (normative) irrespective of the fact that plant load factor (throughout the year) remains much lower than that of normative availability due to one or the other reason, the extra burden of interest will be passed on to the consumers. It has been observed from the past that both the State owned plants of PSPCL i.e. GGSSTP, Ropar and GHTP, Lehra Mohabat are running far below the “normative annual plant availability factor”. Further, the GVK has also been running below NAPAF. It is pertinent to mention here that cumulative availability factor of GGSSTP and GHTP for FY 2019-20 and FY 2020-21 remained around 83% as per SLDC Energy Account. Similarly, cumulative availability factor of GVK for FY 2019-20 and FY 2020-21 was 98.50% and 74.27% respectively, However, the actual generation has been much lower compared to normative plant availability.

5. Interest on working capital is payable on normative basis notwithstanding that the licensee/Generating Company/SLDC has not taken working capital loan from outside agency. So as to avoid extra burden

(avoidable) on account of interest on working capital having components viz. normative fuel cost and normative receivables, it is felt that although being Normative parameter yet truing up of Interest on Working Capital is necessary as special dispensation. Accordingly, for the same the following proviso is proposed to be added to Regulation 33.1, 43.1 and 51.1 of the PSERC MYT Regulations, 2019.

“33. INTEREST ON WORKING CAPITAL

33.1. Components of Working Capital

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Provided further that for the purpose of Truing-up, the working capital shall be computed based on the annual plant load factor or normative availability of the generating Station, whichever is lower;

Provided also that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the trued-up figures of receivables, Operation & Maintenance expenses and other components of working capital approved by the Commission in the Truing-up;

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 Applicant, substantiated by documentary evidence, shall be considered as ‘excess normative’ or ‘deficit normative’, as the case may be. The treatment of such excess and deficit shall be done in following manner:

- (a) ‘Excess Normative’ shall be passed on to consumer over such period as may be specified in the Order of the Commission;*
- (b) ‘Deficit Normative’, if any, will be borne by the Applicant.*

“43. INTEREST ON WORKING CAPITAL

43.1.....

43.2...

Provided also that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the trued-up figures of receivables, Operation & Maintenance expenses and other components of working capital approved by the Commission in the Truing-up;

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 Applicant, substantiated by documentary evidence, shall be considered as 'excess normative' or 'deficit normative', as the case may be. The treatment of such excess and deficit shall be done in following manner:

- (a) 'Excess Normative' shall be passed on to consumer over such period as may be specified in the Order of the Commission;*
- (b) 'Deficit Normative', if any, will be borne by the Applicant.*

"51. INTEREST ON WORKING CAPITAL

51.1. Components of Working Capital

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Provided also that for the purpose of Truing-up for any year, the working capital requirement shall be re-computed on the basis of the trued-up figures of receivables, Operation & Maintenance expenses and other components of working capital approved by the Commission in the Truing-up;

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 Applicant, substantiated by documentary evidence, shall be considered as 'excess normative' or 'deficit normative', as the case may be. The treatment of such excess and deficit shall be done in following manner:

- (a) 'Excess Normative' shall be passed on to consumer over such period as may be specified in the Order of the Commission;*
- (b) 'Deficit Normative', if any, will be borne by the Applicant.*

6. It may be noted that Staff Paper does not necessarily represent the views of the Commission. The Commission would take view on the above issue after receiving the Objections/Comments of the stakeholders.