

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

NOTIFICATION

The 3<sup>th</sup> February, 2016

No. PSERC/Secy/Regu.111: 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 hereby amends the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014, namely: -

**1. Short Title and Commencement:**

- 1) These regulations shall be called the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) (1<sup>st</sup> Amendment) Regulations, 2016.
- 2) These regulations shall come into force from the date of their publication in the official Gazette of the State.

**2. Amendment to Regulation 3 – DEFINITIONS AND INTERPRETATION**

Clause 3.6 of regulation 3 shall be substituted as under:

- 3.6. “**Auditor**” means an auditor appointed by a generating company or a licensee or the State Load Dispatch Centre in accordance with the provisions of sections 139 & 148 of the Companies Act, 2013 (18 of 2013), or any other law for the time being in force;

**3. Amendment to Regulation 21 – DEPRECIATION**

Regulation 21 shall be substituted as under:

**21. DEPRECIATION**

For the purpose of tariff, depreciation shall be computed in the following manner:

- 21.1. The value base for the purpose of depreciation shall be the capital cost of the assets admitted by the Commission:

Provided that land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital

cost while computing depreciable value of the asset;

Provided further that depreciation shall be calculated after deduction of consumer contributions, capital subsidies/ Government grants.

21.2. The cost of the asset shall include additional capitalization.

21.3. The cost shall include foreign currency funding converted to equivalent rupees at the exchange rate prevalent on the date when foreign currency shall actually be availed but not later than the date of commercial operation.

21.4. Depreciation for generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time.

21.5. Depreciation for distribution assets and other assets not specified by CERC shall be at the rates notified by the Commission:

Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost;

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation/ put in use of the asset shall be spread over the balance useful life of the assets;

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the site.

21.6. Depreciation shall be chargeable from the first year of commercial operation/asset is put in use. In case of commercial operation of the asset/put in use of asset for part of the year, depreciation shall be charged on pro rata basis.

#### **4. Amendment to Regulation 25 – RATE OF INTEREST ON WORKING CAPITAL & SECURITY DEPOSIT**

Clause 25.1 of regulation 25 shall be substituted as under:

25.1. The rate of interest on working capital shall be equal to the weighted average rate of interest paid/ payable on loans by the licensee/generating company/SLDC or the State Bank of India

Advance Rate as on April 1 of the relevant year, whichever is less. The interest on working capital shall be payable on normative basis notwithstanding that the licensee/generating company/SLDC has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures.

**5. Amendment to Regulation 26 – OPERATION AND MAINTENANCE (O&M) EXPENSES**

Clause 26.1 of regulation 26 shall be substituted as under:

26.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

$$\mathbf{O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1-X_n)}$$

Where,

- R&M<sub>n</sub> – Repair and Maintenance Costs of the Applicant for the nth year;
- EMP<sub>n</sub> – Employee Cost of the Applicant for the nth year;
- A&G<sub>n</sub> – Administrative and General Costs of the Applicant for the nth year;

The above components shall be computed in the manner specified below:

**(i)  $R\&M_n + A\&G_n = K \cdot GFA \cdot (WPI_n/WPI_{n-1})$**

Where,

- ‘K’ is a constant (expressed in %) governing the relationship between R&M and A&G expenses and Gross Fixed Assets (GFA) for the nth year. The value of “K” will be specified by the Commission in the MYT order.
- ‘GFA’ is the average value of the Gross Fixed Assets of the nth year.
- ‘WPI<sub>n</sub>’ means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

**(ii)  $EMP_n = (EMP_{n-1}) \cdot (INDEX_n / INDEX_{n-1})$**

- INDEX<sub>n</sub> - Inflation Factor to be used for indexing the Employee Cost.

- This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of nth year and shall be calculated as under:-

$$\text{INDEX}_n = 0.50 * \text{CPI}_n + 0.50 * \text{WPI}_n$$

'WPI<sub>n</sub>' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

'CPI<sub>n</sub>' means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year.

Note 1: The O&M expenses of BBMB for the entire Control Period shall be projected separately based on the latest actual payout. The Commission shall true up the O&M expenses of BBMB during the Annual Performance Review based on the actual payout. The O&M expenses of BBMB shall be treated as uncontrollable cost item. However, when CERC determines the tariff in respect of generating plants/units, transmission system and SLDC of BBMB, the Commission shall consider the same.

Note 2: For the purpose of estimation, the same WPI<sub>n</sub> and CPI<sub>n</sub> values shall be used for all years of the Control Period. However, the Commission will consider the actual values of the WPI<sub>n</sub> and CPI<sub>n</sub> at the end of each year during the Annual Performance Review exercise and true up the Employee cost on account of this variation. Further, the Commission will consider the actual values of the WPI<sub>n</sub> at the end of each year during the Annual Performance Review exercise and true up the R&M and A&G Expenses on account of this variation.

Note 3: O&M expenses shall be allowed on normative basis and shall not be trued up:

Provided, if actual O&M expenses are less than 90% of the normative expenses, the Commission shall true up the O&M expenses during the Annual Performance Review for that year on actual basis.

Note 4: Terminal Liabilities such as death-cum-retirement gratuity, pension, commuted pension, leave encashment, LTC, medical reimbursement including fixed medical allowance in respect of

pensioners will be approved as per the actuals paid by the Applicant.

Note 5: O&M expenses made on account of extraordinary situations (if any) shall be submitted to Commission for its approval. Such expenses shall be filed separately and will not be subjected to provisions of Regulation 30. The approved amount by the Commission shall be trued up in the Annual Performance Review.

Note 6: Exceptional increase in employee cost on account of pay revision etc. will be considered separately by the Commission.

Note 7: Any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by the Commission.

Note 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.

Note 9: With regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of "pay as you go". The Commission shall not allow any other amount towards creating fund for meeting unfunded past liability of pension and gratuity.

Note 10: O&M expenses for gross fixed assets added during the year, if not accounted already, shall be considered from the date of commissioning on pro-rata basis.

**(iii)  $X_n$  is an efficiency factor for  $n$ th year**

The value of  $X_n$  shall be determined by the Commission in its first MYT order for the Control Period.

**6. Amendment to Regulation 45 – DISTRIBUTION LOSS**

Clauses 45.4, 45.5 & 45.6 of regulation 45 shall be substituted as under:

45.4. The consumption of unmetered consumers shall be assessed, as accurately as possible, on the basis of 11 kV feeder metering/

distribution transformer metering/sample survey/energy audit as per methodology approved by the Commission:

Provided that before undertaking any survey, the distribution licensee shall submit to the Commission for its approval, a plan highlighting the sample size, survey methodology, analysis techniques and such other factors that are crucial to the reliability of such survey:

Provided further that the Commission may direct the licensee to carry out any sample survey/ energy audit of the unmetered consumers in the manner as approved by the Commission.

- 45.5. The Commission may review and amend the methodology to assess the consumption of unmetered consumers as and when better and more accurate tool/methodology is available.
- 45.6. In the absence of 11 kV feeder metering/DT level metering/sample survey/energy audit etc., as per approved methodology, the Commission shall not accept the claim of the distribution licensee and may proceed to fix the loss level and consumption for unmetered consumers on the basis of the data and the information available with it.

**7. Amendment to Regulation 68 – POWER TO WAIVE**

Regulation 68 shall be substituted as under:

**POWER TO WAIVE**

The Commission may waive and/or relax any of the provisions of these regulations in any manner, if, in the opinion of the Commission, it is impracticable or inexpedient to proceed as per these regulations. In such a situation, after recording its reasons, the Commission may adopt any other approach which is reasonable and is consistent with the overall approach of these regulations.

By order of the Commission

(RAJIV BHATIA)  
SECRETARY

