

TRIPURA ELECTRICITY REGULATORY COMMISSION

NOTIFICATION

No.F17/TERC/2004

Dated, Agartala, 11.1.2005.

In exercise of powers conferred by Section-45(2), 61 and 62 read with 181 of the Electricity Act, 2003 (36 of 2003) and all powers enabling on that behalf, Tripura Electricity Regulatory Commission (TERC) hereby makes the following Regulations:

1. Short title, commencement and interpretation

This Regulation may be called the Tripura Electricity Regulatory Commission (**Tariff Regulation, 2004**).

- i) This shall come into force on the date of publication in the official gazette unless otherwise stated in this Regulation and shall be concurrent within the area of jurisdiction of Tripura Electricity Regulatory Commission.
- ii) This Regulation shall be applicable to the licensee and to its consumers.
- iii) Tripura General Clause Act shall apply in interpretation of various clauses of this Regulation.

2). Definition:

In this Regulation, unless the context otherwise requires:

- (a) The "**Act**" means Electricity Act, 2003.
- (b) "**Regulation**" means Regulations made under the Act.
- (c) "**Rules**" means the Rules made under the 'Act' by Govt. of Tripura (The State Govt.).
- (d) "**Commission**" means the "Tripura Electricity Regulatory Commission" constituted under Section-82 of the Electricity Act, 2003 and in short called TERC.
- (e) "Cross subsidy" means the difference between the average cost of supply of the Licensee and the applicable tariff before any subsidy provided by the Government under the Act, is taken into consideration.
- (f) **Billing Cycle** shall mean the period for which the bill is raised.
- (g) "**Licensee**" means a person licensed under Section-14 of Electricity Act, 2003.
- (h) "**Consumer**" means any person who is supplied with electricity for his own use by a licensee or the Govt. or by any other persons engaged in the business of electricity supply to the public under this Act or any other law for the time being in force and includes whose premises for time being connected for the purpose of

receipt of electricity with the works of a licensee, the Govt. or such other persons as the case may be.

- (i) **"Electricity Supply Code"** means the Electricity Supply Code specified under Section-50 of the Electricity Act, 2003 & Tripura Electricity Regulatory Commission (TERC) Regulation.
- (j) **Tariff order** shall mean the order issued from time to time by the Commission on annual revenue requirement and tariff for licensee.
- (k) **Meter** shall mean a device suitable for recording consumption of electrical energy or any quantity of electricity supplied during any specified period and shall include wherever applicable other associated equipments necessary for such recording.
- (l) Unless the context otherwise requires word expression occurring in this Regulation and not defined shall have the same meaning as in the Act/Regulation/order of Commission or any absence thereof. The meaning as only understood in the Electricity Supply Industry.

3. Procedure for calculation of expected revenue:

All Generating Companies and the licensee shall submit the petition to the Commission along with the details of calculation with relevant information and particular in line with Tripura Electricity Regulatory Commission (Conduct of Business) Regulation, 2004.

The petition should be filed at least 120 days in advance from the date of proposed effective date of revised tariff.

The Commission reserves the right suo-moto to ask the Generating Companies and the Licensees to file such an application for variation in tariff and other charges which should be filed as per TERC (CBR) Regulation, 2004.

The Commission shall determine the tariff for generation, supply, transmission, wheeling of electricity, wholesale, bulk or retail as the case may be in Tripura.

Notwithstanding, anything contained in Part-X of the Act, the tariff for any inter State supply, transmission or wheeling of electricity, as the case may be involved the territories of two States may upon application made to it by the licensees intending to undertake such supply, transmission or wheeling shall be determined by the Commission who intends to distribute electricity and make payment in the area of jurisdiction of

Tripura Electricity Regulatory Commission. As per provision 64(5) of the Act provided further that where open access is permitted the category of consumers under section-42.

The Commission shall determine only the wheeling charges and surcharge thereon if any, for the said categories of consumers.

Provided, further if the open access permitted to certain consumer by the Commission under section-42, such consumers may enter into an agreement with any person for supply or purchase of electricity on such terms and conditions (including tariff) as may be agreed upon by them. Notwithstanding the provision contained in clause (d) of Sub-section-(1) of Section-62 of the Act.

Provided, further that notwithstanding anything contains in this Regulation, the Commission shall adopt the tariff if such tariff has been determined through transparent process of bidding in correspondence with the guideline issued

4. Terms and condition for determination of tariff:

4.1. Without prejudice to any other provision of the Electricity Act, Tripura Electricity Regulatory Commission while determining the tariff shall be guided by the followings;

- a) Tariff Principle set out by Central Electricity Regulatory Commission (CERC) - to generation and transmission licensee.
- b) Power Sector Industry runs on commercial Principle(Generation, Transmission, Distribution and supply of electricity)
- c) Factors encouraging competition, efficiency and optimal utilization of resources, satisfactory performance and investment attractive.
- d) Protection of consumer interests and reasonable recovery of charges.
- e) Performance bench-making and rewarding higher efficiency.
- f) Multi-year Tariff Principle
- g) Tariff progressively reflects the cost of supply of electricity and reduces and eliminates cross subsidies in prescribed time frame in consultation with State Government..
- h) Promotion of Co-generation and generation of electricity from renewable source of energy/ non-conventional source of energy.
- i) Consumer and utility interests on "made for each other" concept on sustainable basis notwithstanding the right of consumer to choose option.
- j) Socio economic condition and need of power supply.
- k) All Licensees and its consumers to follow Safety Regulation specified by authority.
- l) Meter and its technical specification shall be according to standard specified by the Authority or specified as per industry's best practice.

- m) The National Electricity Policy Plan and Tariff Policy notified by Central Government.
- n) State Government directive relating to Power Sector in the matter of public interests.
- o) State Govt.'s rule and policy guidelines for Rural and Remote areas in line with National Policy.

Provided that the Commission may also keep in view and be guided by the requirements relating to the –

- (i) Compliance of environmental standards ;
- (ii) Compliance of safety standards;
- (iii) Compliance of different statutory requirements;
- (iv) Compliance of requirement of energy conservation through tariff mechanism to encourage optimum and economic utilization of available electricity and to discourage unnecessary and wasteful use of electricity.
- (v) The need for reserve capacities to improve system reliability ;
- (vi) Performance standards and other norms as may be specified or directed by the Commission including incentives and penalty relating to such standards ;
- (vii) Development of market relating to electricity ;
- (viii) Affordability of power and need of power to different sections of society in the interest of the consumer as well as the requirement of the utility;
- (ix) Requirement and need to encourage non-convention source of energy.
- (x) Requirement and need to insulate the consumers for sudden tariff shocks in a particular year or some of years to protect both the utility and the consumers.
- (xi) Requirement and need to have funds and its availability at short notice to meet unexpected emergent circumstances where power supply is affected materially and cannot be met under normal business activities.

Provided further that while determining the tariff, the Commission may keep in view the existing and future balances available under Consumer Account, Tariff & Dividend Control Account, Undistributed Rebates, Development Reserve, Contingency Reserve, Deferred Taxation Reserve along with its investment and income.

Provided further that the Commission may differentiate tariff on the basis of any of the following factors or on the basis of any combination of some factors namely consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which supply is required or the geographical position of the area, the nature of the supply and the purpose for which the supply is required. The

Commission depending upon the available factors/data/information, or any other material which it may consider appropriate in each case, may either fix separate rates or by any other method impose extra charges, incentives, penalty etc. on the basic tariff to achieve the purpose for any one or more factors mentioned above to the extent feasible and keeping in view the overall interest of the Consumers, Licensees /Generating Company and / or the Electrical System as a whole.

4.2 The Commission at its sole discretion will follow the above principles which have been incorporated in Regulation 4.1 and suitably apply the same to the extent required in each case. The Commission shall, at its sole discretion, determine the extent to which reliance may be had on any one principle, or more than one principle in any combination in each case having regard to the facts revealed in each such case.

5. Subject to **Regulation 4**, the financial terms and conditions for determination of tariff for the licensees and generating companies shall be as laid down in Schedule- 1, 2 and 3. In case of overlapping, or in the case of licensees falling under more than one Schedule or in those cases where none of the Schedules is applicable, the relevant Principles of Schedule-I may be followed subject to such modifications which the Commission may consider appropriate in such a case.

Provided that, if there is difference between such financial terms and conditions and National Electricity Policy and Tariff Policy or principles and methodologies specified by the Central Commission in case of Generating Companies and Transmission Licensees then, the Commission shall be guided by the same, through subject to other provisions of Regulation-4 which shall also be appropriately taken into account.

6. (i) The tariff shall be revised ordinarily only once in a year except for adjustment on account of Fuel and Power Purchase and as per the formula in this Regulation at Schedule-4. However, no reimbursement of fuel and power cost shall be allowed on any excess beyond permissible (a) Technical and commercial loss and (b) Self-consumption of electricity under the formula.

(ii) The tariff shall normally be revised from the prospective date with due notice except for adjustment of FPPCA unless there is a compelling reason to revise the same from the retrospective date in which case detailed justification will be given in writing by the Commission.

7. The licensee or the Generating Company shall, before incurring any capital expenditure which does not fall within the capital expenditure programme as approved by the Commission and which exceeds, in any one financial year or in more than one financial year, a sum of Rs.5.0 crores or 1% of the gross Fixed Assets whichever is less for one individual/head of item, take the approval of the Commission before incurring the same for the purpose of tariff. The overall annual limit for incurring capital expenditure on all such unapproved capital items shall not exceed Rs.25.0 crores or 2% of the opening balance of gross fixed assets whichever is lower.

Provided that in case of emergency or emergent circumstances due to its impact on the safety of the assets, life, system or smooth supply or such similar reasons, the licensee or the generating company may incur the necessary expenditure without taking the prior approval of the Commission, but shall intimate the same to the Commission along with the circumstances due to which it was not possible to take prior approval.

Provided further that in case the Commission neither refuses nor gives its consent for incurring of such expenditure within 10 working days from its filing with all the relevant documents, the licensee / generating company may presume that the Commission has no objection for the inclusion of same for fixing the tariff.

Provided further that notwithstanding anything contained above, the above procedure shall not be applicable to the extent the capital expenditure programme, as included in the tariff petition, has been approved by the Commission.

8. (i) The Commission may, at any time at its sole discretion vary, alter, modify, add or amend any provision of this Regulation.

(ii) If any difficulty arises in giving effect to any of the provisions of this Regulation, the Commission may for reasons to be recorded in writing direct the licensee or consumer by general or special order, for taking suitable action not inconsistent with the provisions of the Act, as may appear to be necessary for removing the difficulty.

(iii) Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for meeting the ends of justice or to prevent the abuse of the process of the Commission.

Place: Agartala

Date:

By order of the Commission

(P. C. Roy)
Secretary of the Commission.

SCHEDULE-1

Principle, terms and conditions for determination of tariff along with their application for distribution of licence:-

(1) The tariff shall be fixed in such a manner that a distribution licensee is allowed to earn a permissible return which shall comprise of Reasonable Return plus permitted incentives minus penalties leviable under the Act / Regulations for that year.

(2) The "Reasonable Return" for this purpose shall be –

5% above the ruling RBI rate or 3% above the PLR of State Bank of India or average of any other three approved Nationalized Bank whichever is higher and calculated on the subscribed and paid up equity capital which shall also include Share Premium balance for this purpose but shall not include Bonus Shares or Shares issued other than for cash. The paid up equity capital for this purpose shall be the average of the opening and closing balance of the paid up equity capital for that year.

(3) The "Clear Profit" for this purpose means – The difference between the total amount of income from the business of electricity including income foregone or not realized due to reasons within control of licensee and the relevant portion of the income from other business including use of its assets and resources pertaining to electricity business (entitled expenditure) from other than electricity business minus reasonable actual expenditure properly incurred on the business relating to electricity or for other business for which income is being calculated subject to the extent of such income.

(4) The difference between the "Clear Profit" and the "Permissible Return" will be dealt as under –

50% shall be retained by the licensee and the balance 50% will go to the consumer account and will be taken into consideration while fixing at FPPCA for the relevant or subsequent years or tariff for the subsequent years.

(5) (1) the income shall include all income from any source, but not limited to-

(i) sale of energy –

(a) gross receipts, from actual sale discounts/ rebates given based on the order of the Commission.

(b) receivable for energy not sold or lost in the system (to be fixed on gross energy not sold minus permissible technical and commercial losses and

permissible self-consumption of energy. The rate to be adopted shall be the average of fuel cost and cost of purchase plus 10% thereon to cover other costs).

- (ii) rental of meters, plant, equipment and other apparatus hired to consumers;
 - (iii) services to consumer by way of repair or any sale or other service other than capital receipts;
 - (iv) interest on investments, bank balances including fixed and call deposits and any other interest income;
 - (v) profit on sale of assets
 - (vi) wheeling of energy
 - (vii) transmission of energy
 - (viii) cross subsidy surcharge under section 42(2)
 - (ix) additional surcharge under section 42(4)
 - (x) any receipt or refund from other sources against any expense or likely expense which has been earlier allowed as expense in the tariff.
 - (xi) All other general receipts and terms of Acts / Regulations including use of assets for other business whether actually recover or not.
- (II) Reasonable and actual entitled expenditure properly to be incurred on –
- (i) fuel cost to the level of generation including permissible wastage which including losses during transit and storage;
 - (ii) fuel handling expenses;
 - (iii) purchase of energy;
 - (iv) salaries and wages and staff welfare expenses excluding management remuneration covered under (v) & (vi);
 - (v) Director's remuneration, office expenses including facilities;
 - (vi) Salaries and wages of corporate office / registered office;
 - (vii) financing cost excluding penal interest / charges.
- a) interest charges on loan borrowed for capitalized assets;
 - b) interest on temporary accommodation to the extent of approved unrealized arrears from consumers;
 - c) interest on working capital facilities limited to actual or equivalent to two months sales which ever is less.
 - d) Financing charges applicable on operational account;
 - e) Interest on cash security deposits from consumers
 - f) Interest on advance amount against sales from consumers, if any;

- g) Impact on interest payments due to variation of foreign exchange rate in case of foreign currency loan taken with due approval is not capitalized.
- (viii) Depreciation on the assets capitalized based on the investment programme approved by the Commission and actually in use. The rates of depreciation shall be as applicable on straight line method under the Companies Act as amended from time to time.
- (ix) Rents, rates and taxes, other than all taxes relating to income, profits and dividend taxes;
- (x) Legal charges
- (xi) auditor's expenses
- a) Auditor's fees
- b) auditor's expenses
- c) payment to auditors in any other capacity or for any work which is necessary to be got done from them and audited.
- (xii) consultancy charges for work which can not be done in house or is uneconomical in doing in house or is essential to be done from outside sources except payment to Auditor's
- (xiii) bad debts actually written off.
- (xiv) Permissible technical and commercial losses (the permissible quantity will be reduced from the gross energy available for sale).
- (xv) Permissible self-consumption of electricity
- a) auxiliary consumption
- b) consumption in other offices relating to electricity business of the licensee
- (the permissible quantity will be reduced from the gross energy available for sale).
- (xvi) Other expenses necessary and arising from and ancillary or incidental to the business of electricity except penalty etc. levied under this Act or any other Act.
- (xvii) Expenses arising from a ancillary or incidental to other business or licensee for which income have been included, but limited to the amount of income so included.
- (III) The Commission may also allow reasonable expenditure to be incurred actually or properly on the following –
- a) all taxes on income and profit calculated on permissible return as allowed by the Commission relating to business of electricity and also subject to the condition that the amount of taxes is actually paid as tax after taking into account refunds into consideration.

- b) Penalty / fines levied in other Act in deserving cases;
- c) Penal interest, additional surcharge and / or non-availment of entitle rebates if the situation so arise;
- d) Other losses except which are on amount of penalties / fines and any additional cost on-account of non-adherence of standards - norms and limits fixed by the Commission.
- e) Special allocation to meet and cover the requirement of likely any unexpected emergent circumstances which can not be covered under normal business activities which shall be invested and kept separately including its income as per the direction of the Commission;

NOTE –

1. The Commission may at its discretion fix suitable norms / limits for any or all the items of expenses.
2. The existing balances as on 31.3.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Rebates, Deferred Taxation Reserve, Development Reserve shall be transfer and shown as such in balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and /or to be kept separately to meet the fund required for emergent circumstances or for providing funds / meeting cost of replacement.
3. In case of abnormal variation in income or expenses or both which is likely to affect tariff substantially, the Commission may provide to include the same including its impact as a regulatory asset in the tariff and suitably provide for its recovery of the same through tariff for one or more years or as a surcharge for one or more years as it may deem fit to protect the interest of consumers / utility or both provided in the opinion of the Commission the same can not be met fully or partially from balance under any other consumer account the amount of which has been already taken from the consumer through tariff.

SCHEDULE-2

Principles, terms and conditions for determination of tariff along with their application for Transmission Licensee

1. The tariff shall be fixed in such a manner that a licensee ordinarily in any financial year will earn a permissible return which shall comprise of Reasonable Return plus permitted incentives minus penalties leviable under the Act / Regulations for that year.

2. The "Reasonable Return" for this purpose means -
4% above the ruling RBI rate or 2% above the PLR rate of State Bank of India or average of any other three approved Nationalized Bank whichever is higher and calculated on the subscribed and paid up equity capital which shall also include Share Premium balance for this purpose but shall not include Bonus Shares or shares issued other than for cash. The paid up equity capital for this purpose shall be the average of the opening and closing balance of the paid up equity capital for that year.

3. The "clear profit" for this purpose means-
the difference between the total amount of income from the business of electricity including income forgone or not realized due to reasons within control of licensee and the relevant portion of the income from other business including use of its assets and resources pertaining to electricity business for other than electricity business minus reasonable actual entitled expenditure properly incurred on the business relating to electricity or for other business for which income is being calculated subject to the extent of such income.

4. The difference between the clear profit and the permissible return will be dealt as under :
40% shall be retained by the licensee and the balance 60% will go to the consumer account and will be taken into consideration while fixing FPPCA for the relevant or subsequent years or tariff for the subsequent years.

5. (I) The income shall include all income from any source, but not limited to
 - (i) gross receipts from transmission or wheeling of energy less discounts / rebates given based on the order of the Commission;
 - (ii) rental of meters, plant, equipment and other apparatus hired to consumers;
 - (iii) services to consumer by way of repair or any sale or other service other than capital receipts;

- (iv) interest on investments, bank balances including fixed and call deposits and any other interest income;
 - (v) profit on sale of assets;
 - (vi) wheeling of energy;
 - (vii) cross subsidy surcharge;
 - (viii) additional surcharge ;
 - (ix) any receipt or refund from other sources against any expense or likely expense which has been earlier allowed as expense in the tariff.
 - (x) all other general receipts arising from and ancillary or incidental to the business of electricity supply ;
 - (xi) other general receipts in terms of Act / Regulations including use of assets for other business whether actually recovered or not.
- (II) Reasonable and actual entitled expenditure properly to be incurred on –
- (viii) Salaries and wages and staff welfare expenses excluding management remuneration recovered under (v) and (vi) ;
 - (ix) Director’s remuneration, fees, expenses including facilities ;
 - (x) Salaries and wages of corporate office / registered office ;
 - (xi) Financing cost excluding penal interest / charges –
 - a) Interest charges on loan borrowed for capitalized assets ;
 - b) Interest on temporary accommodation to the extent of approved unrealized arrears from consumers ;
 - c) Interest on working capital facilities limited to actual or equivalent to 45 days of sales whichever is less ;
 - d) Financing charges applicable on operational account ;
 - e) Interest on cash security deposits from consumers ;
 - f) Interest on advance amount against sales from consumers, if any;
 - g) Impact of interest payment due to variation of foreign exchange rate in case of foreign currency loan taken with the approval and is not capitalized.
 - (xii) depreciation on the assets capitalized based on the investment programme approved by the Commission and actually in use. The rates of depreciation shall be as applicable on straight line method under the Companies Act as amended from time to time;
 - (xiii) rents, rates and taxes, other than all taxes relating to income, profits and dividend taxes ;
 - (xiv) legal charges ;
 - (xv) auditor’s expenses –

- (a) auditor's fees ;
 - (b) auditor's expenses ;
 - (c) payment to Auditors in any other capacity or for any work which is necessary to be got done from them and audited.
- (xvi) consultancy charges for work which cannot be done in-house or is uneconomical in doing in-house or is essential to be done from outside sources except payment to Auditor's ;
 - (xvii) bad debts actually written off ;
 - (xviii) permissible technical and commercial losses ;
 - (xix) permissible self-consumption of electricity –
 - a) auxiliary consumption ;
 - b) consumption in other offices relating to electricity business of the licensee.
 - (xx) other expenses necessary and arising from and ancillary or incidental to the business of electricity except penalty etc. levied under this Act or any other Act ;
 - (xxi) expenses arising from and ancillary or incidental to other business of licensee for which income have been included, but limited to the amount of income so included.
- (III) The Commission may also allow reasonable expenditure to be incurred actually and properly on the following –
- a) All taxes on income and profit calculated on permissible return as allowed by the Commission relating to business of electricity and also subject to the condition that the amount of taxes is actually paid as tax after taking into account refunds into consideration ;
 - b) Penalty / fines levied under other Acts in deserving cases ;
 - c) Penal interest, additional surcharge and / or non-availment of entitled rebates, if the situation so warrants ;
 - d) Other losses except which are on account of penalties / fines etc and any additional cost on account of non-adherence of standards – norms and limits fixed by the Commission.
 - e) Special allocations to meet and cover the requirement of likely unexpected emergent circumstances which cannot be covered under normal business activities which shall be invested and kept separately including its income as per the directions of the Commission.

NOTE :

1. The Commission may at its discretion fix suitable norms / limits for any or all the items of expenses.
2. The existing balances as on 31.03.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Rebates, Deferred Taxation Reserve, Development Reserve shall be transferred and shown as such under balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and / or to be kept separately to meet the fund required for emergent circumstances or for providing funds /meeting cost of replacement.
3. In case of abnormal variation in income or expenses or both which is likely to affect tariff substantially, the Commission may provide to include the same including its impact as a Regulatory Asset in the tariff and suitably provide for its recovery of the same through tariff for one or more years or as a surcharge for one or more years as it may deem fit to protect the interests of consumers/ utility or both provided in the opinion of the Commission the same cannot be met fully or partially from balance under any other consumer account the amount of which has been already taken from the consumer through tariff.

SCHEDULE – 3

Principles, terms and conditions for determination of tariff along with their application for Generating Company

1. The tariff shall be fixed in such a manner that a Generating Company ordinarily in any financial year will earn a permissible return which shall comprise of Reasonable Return plus permitted incentives minus penalties leviable under the Act / Regulations for that year.
2. The "Reasonable Return" for this purpose means –
5% above the ruling RBI rate or 3% above the PLR rate of State Bank of India or average of any other three approved Nationalized Bank whichever is higher and calculated on the subscribed and paid up equity capital which shall also include Share Premium balance for this purpose but shall not include Bonus Shares or shares issued other than for cash. The paid up equity capital for this purpose shall be the average of the opening and closing balance of the paid up equity capital for that year.
3. The "Clear Profit" for this purpose means – The difference between the total amount of income from the business of electricity including income foregone or not realized due to reasons within control of company and the relevant portion of the income from other business including use of its assets and resources pertaining to electricity business for other than electricity business minus reasonable actual entitled expenditure properly incurred on the business relating to electricity or for other business for which income is being calculated subject to the extent of such income.
4. The difference between the clear profit and the permissible return will be dealt as under –

40% shall be retained by the Generating Co. The balance 60% will go to the consumer account and will be taken into consideration while fixing FPPCA for the relevant or subsequent years or tariff for the subsequent years.
- (5) (I) The income shall include all income from any source, but not limited to-
(i) sale of energy –

(a) gross receipts from actual sale of energy less discounts/ rebates given based on the order of the Commission.

(b) receivable for energy not sold or lost in the system (to be based on gross energy not sold minus permissible technical and commercial losses and permissible self-consumption of energy. The rate to be adopted shall be the average of fuel cost and cost of purchase plus 10% thereon to cover other costs).

(ii) rental of meters, plant, equipment and other apparatus hired to consumers;

(iii) services to consumer by way of repair or any sale or other service other than capital receipts;

(iv) interest on investments, bank balances including fixed and call deposits and any other interest income;

(v) profit on sale of assets

(vi) wheeling of energy, if any ;

(vii) transmission of energy, if any ;

(viii) any receipt or refund from other sources against any expense or likely expense which has been earlier allowed as expense in the tariff.

(ix) all other general receipts arising from and ancillary or incidental to the business of electricity supply ;

(x) other general receipts in terms of Act / Regulations including use of assets for other business whether actually recovered or not.

(II) Reasonable and actual entitled expenditure properly to be incurred on –

(i) fuel cost to the level of generation including permissible wastage/ losses during the transit and storage;

(ii) fuel handling expenses;

(iii) purchase of energy , if any ;

(iv) salaries and wages and staff welfare expenses excluding management remuneration covered under (v) & (vi);

(v) Director's remuneration, fees, expenses including facilities;

(vi) Salaries and wages of corporate office / registered office;

(vii) financing cost excluding penal interest / charges.

a) interest charges on loan borrowed for capitalized assets;

b) interest on temporary accommodation to the extend of approved unrealized arrears from consumers;

- c) interest on working capital facilities limited to actual or equivalent to 45 days sales which ever is less.
- d) Financing charges application on operational account;
- e) Interest on cash security deposit from consumers
- f) Interest on advance amount against sales from consumers, if any;
- g) Impact of interest payment due to variation of foreign exchange rate in case of foreign currency loan taken with due approval and is not capitalized.

(viii) depreciation on the assets capitalized based on the investment programme approved by the Commission and actually in use. The rates of depreciation shall be as applicable on straight line method under the Companies Act as amended from time to time;

(ix) rents, rates and taxes, other than all taxes relating to income, profits and dividend taxes ;

(x) legal charges ;

(xi) auditor's expenses –

(a) auditor's fees ;

(b) auditor's expenses ;

(c) payment to Auditors in any other capacity or for any work which is necessary to be got done from them and audited.

(xii) consultancy charges for work which cannot be done in-house or is uneconomical in doing in-house or is essential to be done from outside sources except payment to Auditor's ;

(xiii) bad debts actually written off ;

(xiv) permissible technical losses ;

[The permissible quantity will be reduced from the gross energy available for sale]

(xv) permissible self-consumption of electricity –

[The permissible quantity will be reduced from the gross energy available for sale]

a) auxiliary consumption ;

b) consumption in other offices relating to electricity business of the licensee.

[The permissible quantity will be reduced from the gross energy available for sale]

(xvi) other expenses necessary and arising from and ancillary or incidental to the business of electricity except penalty etc. levied under this Act or any other Act ;

(xvii) expenses arising from and ancillary or incidental to other business of licensee for which income have been included, but limited to the amount of income so included.

(III) The Commission may also allow reasonable expenditure to be incurred actually and properly on the following –

- a) All taxes on income and profit calculated on permissible return as allowed by the Commission relating to business of electricity and also subject to the condition that the amount of taxes is actually paid as tax after taking into account refunds into consideration ;
- b) Penalty / fines levied under other Acts in deserving cases ;
- c) Penal interest, additional surcharge and / or non-availment of entitled rebates, if the situation so warrants ;
- d) Other losses except which are on account of penalties / fines etc and any additional cost on account of non-adherence of standards – norms and limits fixed by the Commission.
- e) Special allocations to meet and cover the requirement of likely unexpected emergent circumstances which cannot be covered under normal business activities which shall be invested and kept separately including its income as per the directions of the Commission.

NOTE :

1. The Commission may at its discretion fix suitable norms / limits for any or all the items of expenses.
2. The existing balances as on 31.03.2003 under Tariff and Dividend Control Reserve, Consumer Account, Contingency Reserve, Undistributed Rebates, Deferred Taxation Reserve, Development Reserve shall be transferred and shown as such under balances on account of consumer and shall be appropriately dealt by the Commission while fixing the tariff and / or to be kept separately to meet the fund required for emergent circumstances or for providing funds /meeting cost of replacement.
3. In case of abnormal variation in income or expenses or both which is likely to affect tariff substantially, the Commission may provide to include the same including its impact as a Regulatory Asset in the tariff and suitably provide for its recovery of the same through tariff for one or more years or as a surcharge for one or more years as it may deem fit to protect the interests of consumers/ utility or both provided in the opinion of the Commission the same cannot be met fully or partially from balance under any other consumer account the amount of which has been already taken from the consumer through tariff.

SCHEDULE – 4

FORMULA FOR FUELAND POWER PURCHASE COST ADJUSTMENT(FPPCA)

Fuel and power purchase cost adjustment charge per unit of energy sold during adjustment period shall be in terms of the following formula and shall be admissible only if there is any increase in the prices of fuel, rail transportation or rates of purchase of power which were prevalent 20 days prior to last date of submission of the petition.

$$\text{FPPCA (p/kwh): } \left\{ \frac{(\text{FC} + \text{PPC}) - \text{C}_D - \text{A}}{[(\text{Gown} + \text{Eimp}) \times (1 - \text{L})] \times \text{Q}} - \frac{\text{fc} + \text{ppc}}{(\text{gown} + \text{eimp}) \times (1 - \text{L})} \right\} \times 100$$

FC (Rs.) : Fuel cost of own generation as per Normative parameters fixed by the Commission and / or on actual basis (in absence of any norm) for actual level of sales during the adjustment period.

PPC (Rs.) : Total cost incurred including the cost for fuel for power purchase from different sources for actual level of sales during the adjustment period.

CD : Cost disallowed by the Commission as having been incurred in breach of its economic generation/purchase obligation, or of order/direction of the Commission, if any, or for any other reason during the adjustment period and adjusted corresponding to actual level of sales.

A (Rs.) : Adjustment, if any, to be made in the current period to account for any excess/shortfall in recovery of fuel and power purchase cost in the past adjustment period based on directions / orders of the Commission.

Gown (KWH) : Total energy sent out from utility's generating stations during the adjustment period based on normative or actual auxiliary consumption whichever is less, corresponding to actual level of sales.

Eimp (KWH) : Total energy purchased at the sent out bus from different sources based on approved procurement plans during the adjustment period corresponding to actual level of sales.

L (%) : Normative T & D loss fixed by the Commission.

Q (KWH) : Quantity of temporary supply sold during the adjustment period.

- fc : Fuel cost of own generation as allowed by the Commission in the tariff order corresponding to relevant adjustment period.
- ppc : Power purchase cost allowed by the Commission for the relevant adjustment period in the tariff order.
- gown : Sent out own generation as admitted in the tariff order by the Commission corresponding to the adjustment period.
- eimp : Power purchase at sent out bus as admitted by the Commission in the tariff order corresponding to the adjustment period.
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