

Provided that, operating norms for the generating stations which are under constructions and not covered under Schedule-9A will be determined by the Commission considering the principles specified under schedule-9D of these Regulations:

Provided further that, in case of any Renovation & Modernization or Life Extension Programme of any existing generating station, the operating norms under Schedule -9A will be modified on the basis of submitted document at the stage of investment approval.

- 2.8.6.2 Any gain or loss on account of variation in actual performance of operating parameters of a generating station or licensee with respect to the norms admitted in the tariff order will be shared with the beneficiary in terms of regulations 2.5.5.3 and 2.5.5.4 of these Regulations:

Provided that sharing of gain or loss on each operating parameter of a generating station or licensee shall be assessed independently and separately:

Provided further that sharing of gain or loss shall be applicable for a generating station of a generating company or licensee only for that part of the installed capacity which is exclusively dedicated for supply of electricity to any consumer or licensee under the purview of the Commission.

- 2.8.6.3 In addition to the gains shared for better performance, the generating company or licensee shall also be entitled for incentives for improved performance according to the principles specified in Schedule-10 of these Regulations:

Provided that, incentives as per schedule-10 shall only be applicable for a generating station of a generating company or licensee for that part of installed capacity which is exclusively dedicated through PPA for supply of electricity to any licensee under the purview of the Commission:

Provided that, for generating stations of generating company or licensee, incentives under schedule-10 are applicable subject to fulfilling the conditions specified under regulation 6.4.2 of these Regulations.

10. Regulations 2.8.6.4, 2.8.6.5, 2.8.6.6, 2.8.6.8, 2.8.6.9, 2.8.6.10, 2.8.6.11 and 2.8.6.12 stand deleted.

11. After the first proviso to regulation 2.11.1 of the Principal Regulations, the following proviso shall be inserted:

“Provided further that, notwithstanding anything to the contrary contained elsewhere in this regulations, investment approval of the Commission shall not be required where the project is entirely funded by the Government through grants.”

12. After sub-clause(f) of clause (iii) of regulation 5.1 of the Principal Regulations following sub-clause shall be inserted:

“(g) Asset created out of any contribution made by consumers/ users or through any grant shall not be considered for computation of loan capital, equity capital and depreciation under these regulations.”

13. Clause (ix) and (x) of regulation 5.1 of the Principal Regulations stand deleted.

14. Clause (ii) of regulation 5.2.7 of the Principal Regulations shall be substituted as follows:

“(ii) Any expenditure incurred on replacement, renovation and modernization or extension of life of old assets shall be considered after writing off the net value of such replaced asset from the original capital cost, and shall be computed as follows:

Net Value of Replaced Assets = OCRA – AD;

Where;

OCRA = Original Capital Cost of Replaced Assets;

AD = Accumulated depreciation including AAD, if any, pertaining to the Replaced Assets

Provided that in case the original capital cost of the replaced asset is not available for any reason, it shall be considered by the Commission based on available information and documents:

Provided further that the amount of insurance proceeds received, if any, towards damage to any asset requiring its replacement shall be first adjusted towards outstanding actual or normative loan; and the balance amount, if any, shall be utilised to reduce the capital cost of such replaced asset, and any further balance amount shall be considered as Non-Tariff Income.”

15. After regulation 5.2.8 of the Principal Regulations, the following regulation shall be inserted:

“5.2.9 In case of de-capitalisation of assets of generating company or licensee, as the case may be, the original cost of such asset as on the date of decapitalization shall be deducted from the value of gross fixed asset. Corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalisation takes place with corresponding adjustments in cumulative depreciation and cumulative repayment of loan, duly taking into consideration the year in which it was capitalised.”

16. Regulation 5.4.4 of the Principal Regulations shall be substituted as follows:

“5.4.4 The debt and equity amount arrived at in accordance with the instant regulations shall be used for calculating interest on loan, and return on equity,”

17. Regulation 5.5 of the Principal Regulations stands deleted.

18. Regulation 5.6.1.1 and 5.6.1.2 of the Principal Regulations shall be substituted as follows:

“5.6.1.1 Return on equity for generating station of Generating Company or Distribution Licensee and transmission assets of a Transmission Licensee shall be computed on the equity capital determined in accordance with these regulations at the rate of 14.00% per annum for all assets commissioned on and from 01.04.2023. For assets prior to 01.04.2023 return on equity shall continue at 15.50%. Such return on equity shall be calculated on the post-

tax basis and actual income tax liability related to the core business only will be allowed separately on actual payment basis subject to final assessment:

Provided that above normative rate of return is a ceiling rate and in case the Generation Company or Licensee claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional:

Provided further that rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission, if generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Restricted Governor Mode Operation (RGMO) or Free Governor Mode Operation (FGMO), data telemetry, communication system upto load despatch center or protection system based on the report submitted by SLDC.

- 5.6.1.2 Return on equity for a distribution licensee for its distribution assets put in commercial operation on and from 01.04.2023 shall be computed on the equity capital determined in accordance with these regulations at an applicable rate of 15.50%. Return on equity for distribution assets prior to 01.04.2023 shall continue at 16.50%:

Provided that above normative rate of return is a ceiling rate and in case the Licensee claims Return on Equity at a rate lower than the normative rate specified above for any particular year, then such claim for lower Return on Equity shall be unconditional:

Provided further that such rate of return on equity as specified above for distribution licensee shall be applicable for the equity contribution related to distribution assets only.”

19. Regulation 5.6.1.4 of the Principal Regulations stands deleted.

20. Regulation 5.6.2 of the Principal Regulations shall be substituted as follows:

“5.6.2 Depreciation:

The Generating Company and/ or Licensee shall be permitted to recover depreciation on the value of fixed assets used in their respective businesses, computed in the following manner:

- (i) The approved original cost of the fixed asset, including approved additional capitalization, if any, shall be the value base for calculation of depreciation.

Provided that where capitalization of part or full assets has been done but the final approval of the project under regulation 2.8.5 is yet to done, depreciation will be allowed upto 95% of the capitalized value as reflected in the audited account, limited to a ceiling of investment approval. After final project cost approval depreciation will be trued-up accordingly.

Provided further that for the small assets, which are not covered under the approval mechanism specified in regulation 2.8.5 of these regulations, the original cost of assets as reflected in the audited accounts of the Generating Company or Licensee shall be considered by the Commission subject to prudence check. Generating Company or Licensee shall categorically mention such details in their tariff as well as APR applications:

Provided also that depreciation shall be allowed on the entire capitalised amount after reducing the approved original cost of the retired or replaced or de-capitalised assets.

- (ii) The depreciation shall be calculated annually, based on straight line method at the rates prescribed in the Annexure – A(I) to these regulations.

Provided that the Generating Company or Licensee shall ensure that once the individual asset is depreciated to the extent of 70%, remaining depreciable value as on 31st March of the year closing shall be spread over the balance useful life of the asset including the extended life:

Provided further that in case a Generating Company or a Licensee is unable to identify individual asset specific depreciation for older assets, then the Generating Company or Licensee may consider assets upto 31st March 2022, or some earlier date, as a block of assets of specific category